ANNUAL COMPREHENSIVE FINANCIAL REPORT
For Fiscal Year Ended June 30, 2023

Perris, California

EASTERN MUNICIPAL WATER DISTRICT

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Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2023

emwd

Prepared by the

Eastern Municipal Water District
Finance Department

2270 Trumble Road
Perris, CA 92570

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For Fiscal Year Ended June 30, 2023

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November 6, 2023

Board of Directors
Eastern Municipal Water District

We are pleased to present the Eastern Municipal Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. State law and debt covenants require that the District publish, within six months and 180 days of the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public and other interested parties, these basic financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lance Soll and Lunghard, LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2023. The independent auditors' report is presented as the first component of the financial section of this report.

Included are all disclosures management believes necessary to enhance your understanding of the financial condition of the District. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

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Profile of the District

The Eastern Municipal Water District was incorporated in 1950 under the Municipal Water District Act of 1911 and the provisions of the California Water Code. Its primary purpose was to import Colorado River water to its service area to augment local water supplies. Prior to the District's formation, the local water supply was primarily from groundwater wells.

The District is governed by a five-member Board of Directors elected by the public for a four-year term, each representing comparably sized districts based on population. This five-member Board is responsible to the general public within the District for proper conduct of District affairs. The District is a member of the Metropolitan Water District of Southern California (MWD), a cooperative organization of twenty-six member agencies responsible for providing imported water to Southern California.

The District is located in Southern California and its service area lies within western Riverside County, encompassing approximately 558 square miles. In 1951, the District's service area consisted of 86 square miles. Today, growth has resulted from annexations ranging in area from 1 to 72,000 acres. The assessed valuation has grown from $72.0 million when formed to approximately $105.8 billion for this past fiscal year. The District is divided into separate regional service areas for water service and sewer service.

Riverside County has a population of 2.6 million people. Of this population, the District serves approximately 905 thousand or 3 percent, including the cities of Canyon Lake, Hemet, Menifee, Moreno Valley, Murrieta, Perris, San Jacinto, Temecula and unincorporated areas in Riverside County. A map of the service area is on page 24 of this report.

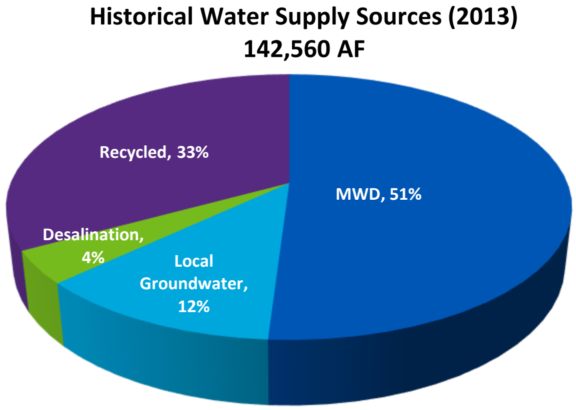
The mission of the District is to deliver value to its diverse customers and the communities it serves by providing safe, reliable, economical, and environmentally sustainable water, wastewater, and recycled water services. It provides three primary products and services: potable water, wastewater collection and treatment, and recycled water.

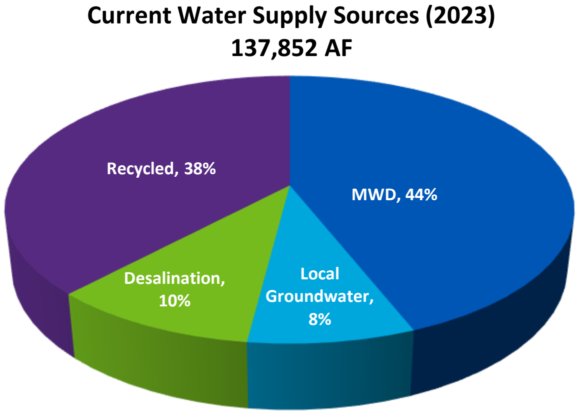
The District's approximately 607 employees are responsible for providing excellent customer service driven by its standards to provide safe, reliable, economical, and environmentally friendly service.

Water Supply and Reliability

The District's total water supply includes 18 percent local groundwater and desalination, 44 percent imported water, and 38 percent recycled water. The sole source of the District's imported water is the Metropolitan Water District (Metropolitan).

The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2013, the District received 51 percent of its water through purchases from Metropolitan, which in turn obtains its water supply from two primary imported sources: the Colorado River, via the Colorado River Aqueduct, and the State Water Project, via the Edmund G. Brown California Aqueduct. Other sources of water supply in 2013 were 33 percent recycled water and 16 percent local groundwater and desalination. In 2023, the District's level of imported water was 44 percent of supply, as a result of investments in local groundwater, desalination, and recycled water improvements.





Sewer and Recycled Water Services

For the purposes of transmission, treatment and disposal of wastewater, the District is served by four regional water reclamation facilities (RWRFs). Over the past decade, significant investment and expansion to sewer services has made the system highly integrated and able to shift flows to differing RWRFs based on needs and development. The facilities are capable of treating 77 million gallons per day (MGD) of wastewater and serve approximately 905 thousand people. Customers' monthly bills include a daily service charge based on household size, which covers the fixed and variable costs of operating the sewer system and contributions to infrastructure replacement costs. They are linked through a network of 1,990 miles of pipeline and 51 active lift stations.

The District currently generates approximately 49 MGD of effluent at its regional water reclamation facilities. The District's goal is to reuse 100 percent of the water from the treatment plants and offer recycled water for sale to customers within the District's service area. In doing so, the District reduces the need to import water or to use other local groundwater supplies. In 2023, approximately 29,692-acre feet or 57.1 percent of recycled water produced was sold to customers.

The Local Economy

The District is located in the Inland Empire region of California which encompasses more than 27,000 square miles in Riverside and San Bernardino Counties and maintains a population of roughly 4.7 million people. Employment in the region rose 1.1 percent from the previous year with health services and private education accounting for 13,800 additional jobs in the region. The trade, transportation, and utilities sectors had a decrease of 12,600 jobs from the previous year. Unemployment in the region was 5.0 percent in June 2023 as compared to 4.6 percent for the state and 3.6 percent for the nation. While unemployment rates increased across the state from the prior year, the Inland Empire continues to grow and contribute to the nationwide economic expansion that began in April 2020. Average weekly wages in the region have increased to $1,124, up from the 2022 average of $1,042. Annual consumer prices in the area rose 3.4 percent, led by increases in housing and electricity costs and a decline in motor fuels costs. The rise in consumer costs saw greater fluctuations than the increase in wages, leading to inflationary concerns nationwide. In an effort to calm inflation, the Federal Reserve raised the Federal Funds Rate ten times between March 2022 and June 2023 from 0.25 percent to 5.25 percent. As a result, the Inland Empire's local economy maintained stable consumer prices, maximized employment resilience, and tamed the fears of a runaway housing market.

In Riverside County, the total net tangible assessed value of property in both cities and unincorporated areas was $361 billion, up from $330 billion in 2022 representing the ninth consecutive year of growth. The District's property tax collections for 2023 were roughly $53 million as compared to $51 million in 2022. While assessed values remained marginally elevated, the median sold price of homes in the Inland Empire decreased to $535 thousand, a reduction of 0.9 percent from the previous year. Los Angeles and San Diego Counties also experienced decreases in the average final sale price of homes at 4.4 percent and 1.7 percent respectively, while San Bernardino saw an increase of 6.7 percent. The elevated demand for housing translated into increased rent in the multifamily sector, with the Inland Empire ranking in the Top 20 Metro Areas in the country at $2,134 per unit. Sustained demand for quality commercial space continued in the region with an average lease rate of roughly $2 per square foot, the lowest rate since 2017. The District's service areas include the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Wildomar and unincorporated areas of Riverside County. The largest assessed valuation growth among cities within the District's service area occurred in the cities of Perris, Menifee, and San Jacinto at 16.4 percent, 14.2 percent, and 11.3 percent, respectively.

The Inland Empire continues to offer competitive housing prices as compared to the costlier coastal regions of Southern California, however, supply issues and increased mortgage rates have impacted the housing market nationwide. Mortgage rates began to increase in the second half of 2022 with the 30-year fixed mortgage rate rising above 6.5 percent in May 2023. The increase in mortgage rates briefly impacted builder confidence, and housing starts fell 8.1 percent from the prior year. Existing home sales declined 19 percent while new home sales were up roughly 24 percent from the prior year. Strong demand and a lack of supply in the housing market has contributed to home values remaining elevated, even increasing by 1.7 percent from the previous year. The District's convenient location is easily accessible and in close proximity to several significant national and international travel and commerce facilities including the Port of San Diego, the San Pedro Bay Port Complex, Los Angeles International Airport, and the Ontario International Airport. Additionally, the March Air Reserve Base (March ARB), a 12 square-mile airfield and logistics center, is located within the District's service area.

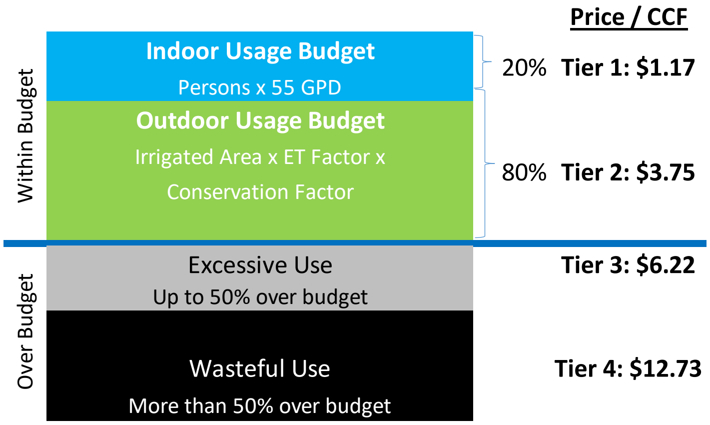
Sound Financial Policies and Practices

The District continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management. In fiscal year 2023, the District completed a Water and Wastewater Cost of Service and Rates Study, a Fees-for-Service Study, and implemented recommendations from the Recycled Water Rate Study completed in 2022, and the Financial Participation Charges Study completed in 2021. In fiscal year 2021, the District completed major updates to the Reserve Policy and Comprehensive Debt Policy and updated the Investment Policy in fiscal year 2022. The updates to these policies and studies show the Board of Directors is committed to maintaining the strong financial health of the District through modernizing financial policies and transparency to stakeholders.

Rates and Fees

The District adopted its Triennial Strategic Plan for 2022 – 2024 with seven strategic priorities, including Fiscal Responsibility and Appropriate Investment. This priority's goal is to ensure financial stability and demonstrate responsible stewardship of public funds. One of the District's initiatives to meet this goal is Proportionate Cost of Service: Regularly evaluate EMWD's fees, rates, and charges to ensure that each customer type pays its proportionate fair share, while generating sufficient revenues to meet EMWD's financial obligations.

In 2017, the District completed a cost-of-service study resulting in a new water rate structure, moving from tiered water rates aligned to indoor and outdoor water budgets to new tiered water rates aligned to the Districts sources of water supply. The objectives of the study were to simplify and develop a consistent rate structure for all customers, to provide sufficient revenue for the District to recover operations and maintenance costs incurred in providing water service and to proportionately allocate these costs among customers. This new water rate structure was adopted by the Board in December 2017 with an effective date of January 1, 2018.



The use of water budgets for the Districts residential customers was first implemented in 2009. These customers received a monthly water budget allocation customized to meet their household and landscape irrigation needs. Effective January 1, 2018, under the new water rate structure, customers continued to receive water budgets based on household and landscape size, however, these budgets no longer align with a specific rate. The amount of water billed for each tier is now based on the availability of the Districts water supply sources such as groundwater, treated groundwater and imported water. All residential customers are billed at the low volume, Tier 1 rate for the first twenty percent of their monthly budget, according to the proportional amount of local, low- cost water supplies available. The remaining portion of the water budget is billed at the Tier 2 budgeted rate for budgeted supplies and the Tier 3 and Tier 4 rates cover usage in excess of the total budget. With this rate structure, water efficient households realize cost savings and customers who stay within their water budgets pay the lowest cost for water.

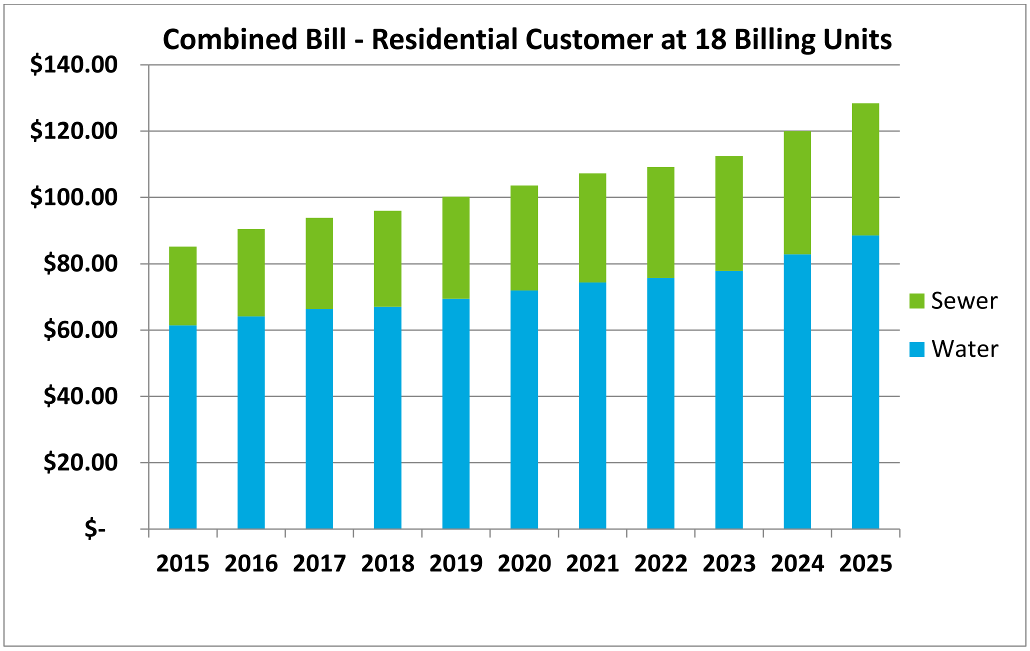
In 2023, the District completed a Water and Wastewater Cost of Service and Rates Study to update the 2017 cost-of-service study and to refine the model based on current supply and usage analysis, revenue requirements, key cost drivers and financial projections. The 2023 study highlighted the current state of the sewer infrastructure and the ability to utilize flow movements within all facilities for treatment. Such integration supported the Board's approval for a seven-year phase-in plan to align sewer rates to a uniform, postage stamp rate. Board approved water and sewer rates for calendar years 2024 and 2025 were developed during the 2023 study, and reflect the increased costs of imported water, rising maintenance and environmental regulatory compliance costs and investments in technology and infrastructure.

The District's current sewer rate structure charges each customer a fixed daily service charge. The daily service charge is calculated based on the number of equivalent dwelling units assessed for that service connection. Within the residential portion of the sewer rate structure, the District also adjusts the sewer charge using block factors based on household occupancy, using the assumption that the sewer discharge decreases or increases accordingly with household size and thus allocated a proportionate share of costs and daily rates.

The Board has approved water rate increases to recover the cost in the water rate structures' three primary charges, the daily service charge based on water meter size, the water supply and reliability capital charge that supports the District's ongoing capital projects and the water use or commodity rates charged for each unit of water used (tiered rate). The impact to a typical water bill is approximately $2.86 per month in 2023, $5.04 per month in 2024, and $5.68 per month in 2025.

The Board has approved sewer rate increases to recover the cost to collect, treat and recycle or dispose of wastewater. The sewer system capital projects charge also increased to provide funds for future sewer system capital improvement projects essential for maintaining the Districts four water reclamation facilities and meeting regulatory and environmental requirements. The impact to a typical sewer bill is approximately $1.18 per month in 2023, $2.26 per month in 2024, and $2.25 per month in 2025.

The chart below reflects the monthly charges for an average four-person household residential customer with an average monthly consumption of eighteen billing units (ccf):



In 2022, the District completed a Recycled Water Rate Study and approved the study's recommended allocations and rate design methodology for recycled water rates. The overall goal of the study was to develop a recycled water funding strategy and rate plan that reflects the most appropriate way to balance funding of the disposal of treated wastewater and EMWD's recycled water program. The strategy recognizes that recycled water is a general benefit to EMWD as a byproduct of wastewater treatment and recycled water pricing should consider the general benefit to the region by reducing reliance on imported and groundwater supplies by keeping rates affordable to promote usage. Wastewater customers benefit from the recycled water system as it serves as a disposal system for treated wastewater resulting in significant cost avoidance. By reducing demands for potable water, the use of recycled water results in lower capital infrastructure costs for the potable water system.

Following the recommendations of the Recycled Water Rate Study, the Board approved a 0.0 percent increase to recycled water rates for agriculture customers effective January 1, 2024, and a 3.0 percent increase effective January 1, 2025. For other users, staff recommend a 3.0 percent increase effective January 1, 2024. Special rates and agreements will continue to follow the rate increases as previously contracted.

Financial Participation Charges (FPC's), or "connection fees" are collected from new development to pay for planned and existing water and wastewater facilities. These charges ensure that everyone pays a fair share of the District's capital facilities and infrastructure. In 2021, the District completed a Financial Participation Charge Study, and the Board approved the study's recommended fee design methodology for base FPCs, Special Benefit Area (SBA) overlay components, Water Supply Development Fees, and Storage FPC Credits. The Board also authorized the continuance of an annual adjustment to Financial Participation Charges and related fees effective the first day of each calendar year based upon changes in the Engineering News Record Construction Cost (ENR-CC) Index for the previous four quarters ending September 30. FPC rates were increased by the ENR-CC Index of 5.7% effective January 1, 2023.

The District provides a variety of discrete services to customers and assesses a Fee-for-Service which represents less than 2.0 percent of the rates, fees, and charges the District assesses. These fees are intended to equitably cover the District's costs for the services provided to avoid the costs from being subsidized by existing ratepayers. In 2019, the District completed and the Board approved Phase I of the Fees-for-Service Study which focused on existing, routine fees that required no business process. In 2023, the District completed and the Board approved Phase II of the Fees-for-Service Study which focused on all fees, including those which are assessed as a deposit (known as a deposit-based fee) as well as those associated with business process improvements. The Board also authorized the continuance of an annual adjustment to the Fees-for-Service effective the first day of each calendar year based upon changes in the Consumer Price Index.

Water Use Efficiency

The District has established itself as a statewide leader in water use efficiency and continues to promote water conservation through investments in infrastructure, technology, education, and community outreach programs.

In 2009, the District first implemented the use of water budgets for its residential customers. The tiered water rate structure promotes water conservation by encouraging efficient water use and discouraging wasteful water usage. All residential customers received a monthly water budget allocation customized to meet their specific household and landscape irrigation needs. The rate structure set budgets for indoor usage and usage based on this inclined tier rate structure.

In 2017, the Board adopted a new water rate structure, adjusted to meet new State standards that call for making conservation a permanent way of life. The changes maintained the principles behind the District's rate structure, reflecting the cost of service while rewarding customers who use less and penalizing those who are wasteful.

In 2019, the District launched its WaterWise Plus program, a comprehensive and forward-thinking program designed to assist customers and partner agencies with finding new and cost-effective ways to become more water efficient. The program promotes water use efficiency-based programs with long-term solutions regardless of current drought conditions. These programs help customers make lifestyle changes to their water use habits resulting in becoming more efficient with their water use, gaining a better understanding of their water usage, and making them better able to manage their monthly bills.

In 2021, the District launched its Landscapes for Living program, designed to assist residential customers in becoming more water efficient. The program integrates home consultations with a landscape expert, free direct installation of smart irrigation controllers and high efficiency sprinkler nozzles, landscape design assistance, and staff support to assist customers who want to apply for water saving rebates through the Metropolitan Water District of Southern California (MWD).

The District offers a wide range of free and low-cost programs for its residential customers, including partnering with MWD in promoting and offering regional indoor and outdoor rebate opportunities to help customers stay WaterWise. Residential programs and rebates include the smart controller direct install program, MWD's SoCal WaterSmart rebates, free deep drip watering stakes and free conservation packets. The District's Demonstration Garden is also available for customers to view to obtain ideas on various water efficient and sustainable landscape options.

The District is also working with government agencies and the business community to develop long-term sustainable approaches to see the benefits that the average residential customers may realize. It is partnering with the cities it serves in introducing a landscape transformation program, promoting investments in climate appropriate landscaping in commercial, industrial, and institutional areas through turf replacement programs.

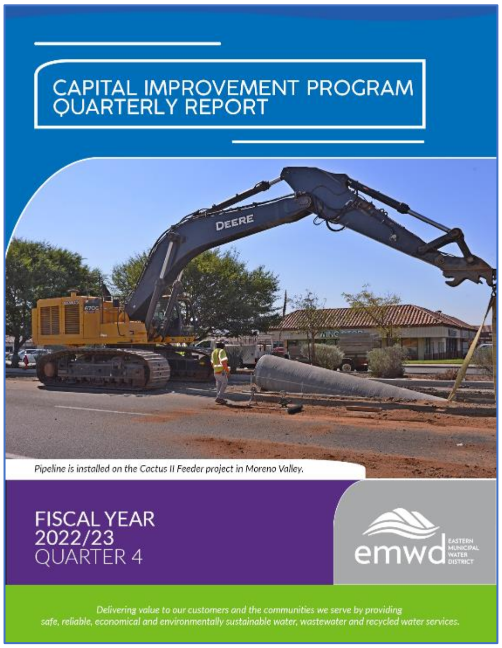
In 2023, the District implemented a ban on irrigating nonfunctional turf at non-residential properties in line with State regulations, and reduced irrigation water budgets for commercial landscape accounts as a method to ensure long-term water conservation. Additionally, a new pilot project for residential customers installed electronic devices on the water meter to track and measure individual indoor and outdoor uses at 100 homes. The water use data from these projects will inform future District water use efficiency initiatives.

The District is also an industry leader in recycled water, one of the largest by volume recyclers in the nation and one of the few agencies that routinely achieves 100 percent beneficial reuse. Its recycled water system receives and treats more than 49 million gallons of wastewater each day at its four operating regional treatment plants. The District's recycled water is treated to a tertiary level and is sold to agricultural, landscape, wholesale, environmental and industrial customers. Over 950 meters provide recycled water service to schools, parks, city streetscapes and HOA's as well as Riverside County, golf courses, wetlands habitat areas, and industrial cooling towers. The District operates over 274 miles of transmission and distribution pipelines, 24 pumping facilities, and more than 7,500-acre feet of recycled water seasonal storage ponds. With significant urban development, it is prepared to manage the increase in recycled water production and is securing the regions' water future through expansion of the recycled water distribution system and moving forward with the Purified Water Replenishment (PWR) groundwater augmentation project.

The District implemented Water Use Efficiency Requirements in 1991 which have been periodically modified to provide long-term water reliability for existing and future customers. The District's drought status is currently Stage 1 of the Water Shortage Contingency Plan. At this time, we are asking that our customers continue their longstanding commitment to using water efficiently and consider more efficient landscape options. Any subsequent actions by the District will be determined by statewide water supply conditions and corresponding regulations and be done in accordance with EMWD's Water Shortage Contingency Plan.

Financial Planning

The Board approves and adopts a biennial budget as a financial management tool which provides the Board and stakeholders a complete view of the District's financial health and resources available to support the District's mission, values, strategic goals, and objectives. The biennial budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly budget-to-actual comparison reports are prepared and quarterly budget-to-actual results by system are presented to the Board along with financial position and other key performance information.



The District prepares a five-year Capital Improvement Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately $686 million for fiscal years 2023-24 through 2027-28. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates, charges, publicly financed bond proceeds, reserves, grants, and low-interest loans from the California State Revolving Fund. The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area.

Although many public agencies have faced difficult financial challenges due to the COVID-19 pandemic and economic downturn that followed, the District was recently credited by Fitch Ratings as having low leverage, a framework of very strong revenue defensibility, and low operating risk.

In November 2021, the District's subordinate lien was upgraded from AA+ to AAA rating by Fitch Ratings, who also had previously assigned a AAA rating for the District's senior lien. These excellent ratings result in lower interest rates when issuing bonds for critical infrastructure projects that enhance system reliability.

The District's allocation-based rate structure and its recovery of fixed costs through daily service charges instead of volumetric water use, is a major factor in achieving such high ratings from the rating agencies.

The District's strong financial standing has benefited ratepayers. A study published in February 2020 by the University of California, Riverside (UCR) showed monthly water and sewer costs accounted for approximately 1.5 percent of median household income in the District's service area. This was well below the United States Environmental Protection Agency's (EPA) affordability threshold of 4.5 percent for water and sewer services.

Other factors contributing to the District's financial strength include its rate setting approach, including yearly nominal rate increases instead of large rate spikes after extended periods of no rate adjustments; strong financial reserves to meet extended periods of revenue uncertainty during economic downturns and extended droughts; and lastly, manageable capital needs with no planned borrowing for the next five years. This is possible due to the District's aggressive program in securing grant funding.

Other steps taken by the District to ensure a more sustainable financial future includes the aggressive pursuit of external funding opportunities, shared financial responsibility between the District and its employees for current and post-employment benefits, and commitment to funding policies regarding fully funding the Other Post-Employment Benefit (OPEB) and pension obligations over an appropriate period of time.

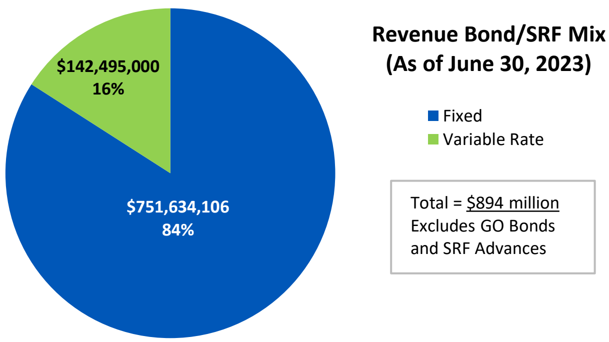
Reserve Policy

The District adopted a new reserve policy in 2021. The new policy principles are to maintain the strong financial health of the District, provide operating liquidity for rate stability to customers, ensure funding is available for current and future replacement of assets, provide financial flexibility for unanticipated costs and emergency expenses, assure that the District maintains the highest possible credit ratings, and establish bond proceeds and debt service reserves in compliance with bond documents. The revised policy separates reserves into restricted and unrestricted, board designated and by category: operating, debt service, and capital. The Reserve Policy is important to the District because it exhibits to stakeholders that the District's Board of Directors is committed to the District's long term financial health, and it provides certainty, stability, and reliability with respect to the level of service and charges to the District's customers.

Administrative Code and Investment Policy

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District amended its Investment Policy in 2023 after the successful completion of the California Municipal Treasurers Association's Investment Policy Certification program. The Investment Policy provides guidelines for the prudent investment of the District's funds while achieving the objectives of safety, liquidity, and yield in a diversified investment portfolio. In accordance with Government Code 53600.3, the Treasurer and District staff responsible for managing the investment portfolio are fiduciaries subject to the Prudent Investor Standard which states while investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, District staff shall act with care, skill, prudence, and diligence to meet the object set forth in the Policy to safeguard investment principal, maintain the liquidity needs of the District, and earn a reasonable return. The investment policy outlines authorized investments meeting minimum credit and maturity requirements while staying in compliance with California Government Code. Investment staff shall provide regular investment reporting to the Board of Directors and conduct an annual review of the Investment Policy. Changes or amendments to the policy shall be approved and adopted by the Board.

Debt Administration



The District has adopted a Comprehensive Debt Policy (Debt Policy) in accordance with California Government Code § 8855. The Debt Policy, which was most recently updated on April 7, 2021, sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to staff regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt, and the methods of sale that may be used. Adherence to the Debt Policy helps to ensure that the District's debt is issued and managed prudently in order to maintain a sound fiscal position and optimal credit ratings. Furthermore, the District actively manages its debt portfolio and seeks to minimize its total debt costs. This goal is achieved through the issuance of both fixed and variable rate debt to fund its capital projects or refund outstanding debt. The District has primarily issued revenue bonds (Bonds) and has borrowed from state revolving fund (SRF) loans to fund its CIP. As of June 30, 2023, the District's total revenue bonds and SRF loans outstanding was $894 million, of which 84 percent were fixed interest rate and 16 percent were variable interest rate, for an overall weighted average cost of funds of 2.21 percent.

The District's parity revenue bond debt has been assigned AAA, AA+, and Aa1 ratings and the subordinate refunding revenue bonds have been assigned ratings of AAA, AA+, and Aa2 from Fitch Ratings, S&P Global Ratings, and Moody's Investors Service, Inc., respectively.

More information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 of the Basic Financial Statements.

Triennial Strategic Plan and Major Initiatives

EMWD first developed a strategic plan in 1994, based on input from the Board of Directors and a select group of employees. Though the document was updated sporadically, it was not until 2003 that it was systematically developed, deployed and utilized by many within the organization. The Triennial Strategic Plan is reviewed and updated every three years and was most recently adopted for 2022-2024. With a clearly defined mission and vision, as well as guiding principles that define our conduct as an organization, the District is driven by standards to provide safe, reliable, economical, and environmentally friendly services. These standards and services include highly reliable and cost-effective water, wastewater, and recycled water service, protection of public and environmental health, superior customer service, sound planning and operational efficiency, fiscal responsibility and appropriate investment, exemplary employer and effective communication, advocacy, and community partnerships.

Highly Reliable and Cost-Effective Water, Wastewater and Recycled Water Service

To provide a safe, reliable, and cost-effective water supply portfolio that is sustainable and achieves an optimum balance of water resources including imported water, surface water, groundwater, wastewater treatment, reuse and resource recovery, the District identified and invests in the following initiatives:

Groundwater Reliability Plus Initiative

Current and future growth within the District's service area increases demands for sustainable local water supplies. The District is committed to a comprehensive and collaborative approach toward its local groundwater resources through its Board adopted Groundwater Reliability Plus (GWR Plus) Initiative to promote long- term water supply reliability. The GWR Plus initiative encompasses actions and investments to improve the quality and quantity of water in our local groundwater basins and ensures the District can meet the long-term needs of its service area through expanded groundwater services, including desalination, replenishment of aquifers and the protection of water quality through environmental health initiatives. The District currently operates 14 active potable wells and 15 active desalter wells that provide 18 percent of its water supply portfolio. This number is anticipated to grow in the future through the Groundwater Reliability Plus Initiative.

Perris North Basin Groundwater Project

In June 2020, the District was awarded an initial $44.9 million Proposition 1 grant from the State Water Resources Control Board (SWRCB) to partly fund the estimated $160.0 million Perris North Basin Groundwater Contamination Prevention and Remediation Project. The program later received an additional $17.0 million from the SWRCB for a total of $61.9 million in grant funding support. This program is a long-term solution to improve groundwater quality in the North Perris Groundwater Basin located in the City of Moreno Valley and will benefit the region by providing safe drinking water for approximately 10,000 additional households annually. The program would make beneficial use of available local groundwater supplies, up to 4,500-acre feet annually (3,100 gpm), further reducing reliance on imported water supplies. Groundwater in Perris North Basin includes the area of March Air Reserve Base (MARB), which is served potable water by Western Municipal Water District (WMWD). The District continues to collaborate with WMWD and the US Department of Defense on interagency agreements and other potential opportunities, such as the ability to partner with WMWD for a local, more sustainable water supply for MARB. The Program has been separated into several construction projects, generally categorized as raw groundwater production wells, a network of monitoring wells, raw groundwater transmission pipelines, and a centralized groundwater treatment facility; the treatment facility includes treatment processes such as granular activated carbon, regenerable ion exchange, Greensand filtration, and brine management facilities. Most of the construction contracts are currently underway including the centralized groundwater treatment facility, the well equipping, and the transmission pipelines (through phase 2 of 3). It is anticipated that the final transmission pipeline project, phase 3, and the monitoring wells project will be advertised for construction before the end of 2023. The program is anticipated to be operational by the end of 2025.

Purified Water Replenishment (PWR) Project

In August 2022 the District received a $10 million appropriation from the United States Bureau of Reclamation (USBR) to support its Purified Water Replenishment program through the Bipartisan Infrastructure Law signed by President Biden. In December 2022, the District received an additional $17.5 million appropriation, for a total of $27.5 million from USBR to partly fund the estimated $153.0 million PWR project. For its Purified Water Replenishment (PWR) program, EMWD will construct an advance treatment facility adjacent to its existing San Jacinto Valley Regional Water Reclamation Facility. The new facility will further treat recycled water through microfiltration and reverse osmosis, resulting in a purified water source. That water will then be blended with additional recycled water and piped to EMWD's Mountain Avenue West Groundwater Replenishment Facility, where it will percolate into the local groundwater basin. After at least five years of natural soil aquifer filtration underground and blending with groundwater, the water will be pumped out, disinfected one final time, then used as a safe and reliable drinking water source. EMWD is in the design stage of its PWR program and is anticipated to begin construction of the facility in 2024.

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) – Water Banking

The District is one of five member agencies of the Santa Ana Watershed Project Authority (SAWPA) that is participating in a first of its kind regional groundwater banking program known as the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). This multi-agency watershed wide program will bank imported water to enhance water supply reliability and increase available dry year supplies in the Santa Ana River Watershed. The program will also integrate water conservation measures, habitat enhancements and recreational use. It will develop dry year yield by banking wet year water with 137,000-acre feet capacity over a ten-year period. The District will implement the San Jacinto Basin component of the program by storing approximately 19,500 plus acre-feet of wet year water per ten-year period. The District will install a one-mile educational hiking trail and forty acres of open space in the form of a recharge basin in the Santa Ana River Watershed. The five participating agencies include the District, Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD) and Western Municipal Water District (WMWD).

In 2022, the District completed construction of the Mountain Avenue West Groundwater Replenishment Facility located on the northeast corner of Mountain and Esplanade avenues in the City of San Jacinto. The Facility is comprised of two large basins that will allow imported water from Northern California to seep into the District's local groundwater aquifer where it will be available for use during dry years. The facility will help mitigate the impacts of future droughts by increasing local groundwater basin levels, increasing water supply reliability for future years, and helping the District improve groundwater quality in the aquifer.

In November 2021, the SARCCUP agencies and the Metropolitan Water District of Southern California (MWD) entered into an agreement for the purchase of surplus imported water supplies. This long-term agreement provides the terms and conditions required for the purchase and storage of the surplus imported water supplies. The agreement term is to 2035, which coincides with the termination of the State Water Project agreement between SBVMWD and the State Water Project Contractors. In addition, the SARCCUP agencies completed the development of a software tracking tool for the purchase of the surplus imported water supplies. EMWD has led this effort utilizing the consultant DBS&A, and the costs were shared equally by the SARCCUP agencies. In May 2023, the Operating Committee members (EMWD, OCWD, SBVMWD and WMWD) executed an agreement that prescribes the coordination among the members for the operation of the SARCCUP banking facilities. This agreement is coterminous with the November 2021 agreement.

As part of the SARCCUP program, the Wells 201, 202, 203, and 205 Equipping project is located just west of Mountain Avenue between Main Street and Evans Street in San Jacinto, California. These wells will be used to pump the stored water from the basin once recharged into Mountain Avenue West. The wells are part of the Phase I of the San Jacinto Valley Water Banking – Enhanced Recharge and Recovery Program (SJVWB-ERRP) groundwater production facilities which will expand groundwater supply capacity by recharging imported water in the local groundwater basin.

The estimated $45.0 million SARCCUP project, including the $26.4 for Wells 201, 202, 203, and 205 Equipping Projects, is partly funded by a $12.7 million Proposition 84 Integrated Regional Water Management Program (IRWMP) grant from SAWPA and is estimated to be completed in February 2024.

Sound Planning and Operational Efficiency

To deliver the highest quality products and services in a cost-effective and efficient manner by strategically leveraging workforce, technology, and business partnerships, the District identified and invests in the following initiative:

Energy Efficiency Programs

The District continues to actively pursue alternative sources of energy and electrical power supply to address capacity issues and cost of electrical power by investing in solar, digester gas, battery energy storage systems (BESS), and microturbines.

Phase III solar power generation system is installed at the Perris, Moreno Valley, San Jacinto, and Sun City facilities. The Phase III Project adds 15.9 Megawatts of additional solar power, bringing EMWD's combined total of renewable generation to 21.9 Megawatts. While the District does sell the Renewable Energy Certificates (RECs) generated by all installed solar projects, the Phase III Project is anticipated to provide more than $63 million of power savings over the 25-year life of the facilities. The District currently has eight 60 kW microturbines that provide additional power generation that save more than $300,000 each year. The exhaust from these microturbines heats water necessary to power a 150-ton air conditioning unit.

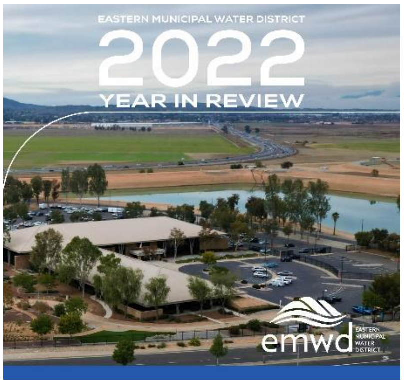
The District is currently completing the design and installation project for Battery Energy Storage System (BESS) projects at the Temecula Valley RWRF, Perris Valley RWRF, Sun City RWRF, Hemet Water Filtration, and Sanderson Lift Station facilities. These BESS will add 2 Megawatt-hours of energy flexibility to each site and are anticipated to provide approximately $2.7 million in power and energy savings over the 15-year life of the facilities. In addition, they will provide critical, clean backup power for these sites in the event of a grid failure. The projects are estimated to be complete in 2024.

Effective Communication, Advocacy and Community Partnerships

Community Outreach

To communicate with clarity and purpose, conduct constructive advocacy, and engage in mutually beneficial partnerships, the District identified and invests in the following initiatives:

EMWD has been continually recognized for its community outreach and its longstanding commitment to engaging with its customers and stakeholders through a variety of programs, initiatives, and strategic communications programs. In March 2023, EMWD published its first Year in Review, highlighting its accomplishments in customer engagement programs and its continued efforts to work on behalf of the communities it serves. EMWD also continued to be recognized for its work, including the Excellence in Public Information and Education Award by the National Association of Clean Water Agencies. EMWD was recognized for its Patrick the Poo video series, which highlighted the importance of responsible use of the wastewater system. EMWD was also honored by the California Association of Public Information Officials (CAPIO) for its engagement with the media for its 2022 Perris II Desalination Facility Dedication event. EMWD also received national recognition by the WaterReuse Association with its national Award of



Excellence for its Recycled Water Accelerated Retrofit Program work with The Lakes at Hemet West. In October 2022, EMWD hosted a Purified Water Replenishment (PWR) Open House to highlight its upcoming PWR program. It also continued to further engage the community through proactive efforts including speaking engagements, attendance at community events, print and electronic messaging and more. In fiscal year 2022-23, EMWD initiated more than 5 million customer contacts through its wide range of communications materials.

Advocacy and Key Partnerships

In fiscal year 2022-23, EMWD continued to expand on its key community partnerships and engagement opportunities to advocate on behalf of its customers. Those advocacy efforts resulted in tens of millions of dollars in grant awards to support a range of EMWD projects that will provide cost-effective infrastructure expansion projects toward a more sustainable water supply future. In October 2022, EMWD received an additional $17 million from the State Water Resources Control Board for its Perris North Groundwater Program, bringing its programmatic funding total to $62 million. In August 2022, EMWD received $10 million from the Bipartisan Infrastructure Law to advance its Purified Water Replenishment Program. In December 2022, it received an additional $17.5 million from the United States Bureau of Reclamation to advance the project. EMWD also received more than $20 million in funding allocated by the County of Riverside through the American Rescue Plan Act to support a wide range of water and wastewater infrastructure projects. EMWD has made a strategic priority with state and federal elected officials and agencies to return customer tax dollars back to the region. In addition, EMWD has continued to advance collaborative efforts with the University of California, Riverside, the County of Riverside, and regional partnerships that align with its Strategic Priorities and initiatives.

Education

EMWD's award-winning Education Program continued to engage students and in fiscal year 2022-23, interacted with more than 44,000 students throughout its service area. Its extensive Education Program provides schools with complimentary lesson plans, curriculum packets, materials, and a host of other activities and programs focused on water, wastewater, and recycled water topics. Throughout the year, EMWD sponsors events, and contests such as the write-off contest open to students in middle schools with different yearly themes, including water conservation and careers in the water industry. In partnership with The Metropolitan Water District of Southern California (Metropolitan), EMWD also hosts an annual poster contest. The top 5 posters are submitted to Metropolitan for consideration for a possible spot on Metropolitan's Water is Life calendar. The Education Program expanded its offerings of field trips to District facilities, including the Hemet Water Filtration Plant and the Perris II Desalination Facility. The Education Program works with 11 school districts and private schools and is continuing to engage students to promote the water industry as a career path. EMWD is working to further expand its Education Program through curriculum offers, field trips and contests that target older students (grades 9-12 and college) and partner with other organizations to put interested students on a pathway to a career in water.

Superior Customer Service

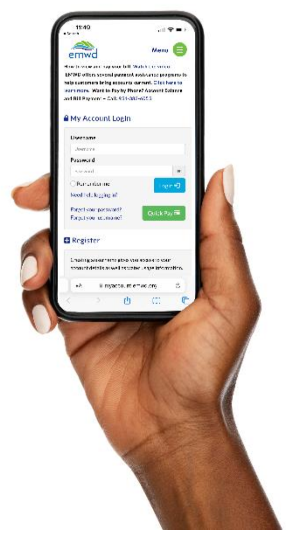
The District is committed to consistently exceed customer expectations in all facets of its service through customer awareness, service, and technology.

Customer Advocacy: Engage in issues that affect EMWD customers through advocacy efforts and by incorporating programs, business processes, strategies and initiatives that support and assist all customer segments in an equitable manner

The District continued to demonstrate its commitment to consistently exceed customer expectations by conducting targeted outreach communications to educate customers on the various assistance programs available in the region. The federally funded Low Income Household Water Assistance Program (LIHWAP) offers one-time support to help low-income families with their past due bills and is administered locally by the Community Action Partnership of Riverside County. To date, the program has assisted 1,917 EMWD customers with a total of $1.17M received and applied directly to the customer's account. EMWD led Riverside County water agencies in LIHWAP funds received with over 31% of all funds spent in Riverside County applied to EMWD customer accounts in 2022. The District is committed to supporting all segments of customers in a respectful and equitable manner that meets their needs.

Technology: Utilize leading technologies to deliver an exceptional and satisfying customer experience with EMWD

In July 2022, the District initiated a customer communications program known as "Text to Disco" (disconnection) that alerts customers the morning of a scheduled non-payment service disconnection. Through this communications, EMWD customers are provided the necessary information to seamlessly submit a payment utilizing any of the available payment options as well as instructions on how to set up payment plans. To date, the program has contacted 13,856 customers with fifty-four percent, or 7,485 customers responding by making the necessary payment. Eliminating these service orders for disconnection saves the District approximately $85 per truck roll, both to disconnect and then to restore service once a payment has been received. Estimated savings due to the reduction in truck rolls are currently over $1.2M. This program demonstrates the District's commitment to implement cost-effective programs that consistently exceed customer expectations in all facets of EMWD's service.



Fiscal Responsibility and Appropriate Investment

The District continues to focus its efforts in areas that will ensure financial stability and demonstrate responsible stewardship of public funds.

Water and Wastewater Cost of Service Study

The District is committed to providing excellent services with accurate fee and rate structures to ensure that each customer pays its proportionate fair share, while generating adequate revenues to meet the District's financial obligations. In April 2023, the District completed a cost-of-service update of current rates for water and wastewater services. The last cost of service fee study was completed in 2017. The Board of Directors approved the proposed water and sewer rates in June 2023 and rates are effective January 1, 2024 and 2025.

emwd SPECIAL NOTICE • MAY 2023

EMWD Efforts Minimize Rate Increases Amid Record Inflation

One of EMWD's main priorities is to maintain the financial stability and responsible stewardship of ratepayer funds. We continue to deliver high-quality, safe and reliable water, wastewater and recycled water services throughout our 558 square mile service area to nearly one million customers today, and into the future.

EMWD recently conducted a Cost of Service Study to ensure that its rate structure adequately reflects the costs of providing essential water and wastewater services. The study showed that unprecedented inflation has increased costs significantly for EMWD operations and supplies such as energy and chemicals. Maintaining our extensive network of pipelines, equipment, treatment facilities, and storage facilities requires a significant amount of energy as well as chemicals to ensure reliable and safe services. The cost of our imported water supplies, which represents about 50 percent of our overall water supply, has also increased.

In addition, EMWD must continuously invest in facilities and equipment to keep water, wastewater and recycled water systems operating efficiently, with minimal emergencies such as water pipeline breaks or sewer spills. To reduce costs for ratepayers, EMWD aggressively seeks grant funding opportunities and has secured millions of dollars just in the past year. EMWD also invests in sustainability projects such as solar energy and battery storage to lower EMWD's overall energy costs.

EMWD is continually committed to balancing its strong financial position and operational efficiencies with critical facility investments over an appropriate period of time. This is achieved by establishing reserve funds, financing plans, and using rate revenue to achieve the lowest rates possible for customers. Thanks to this proactive financial strategy, EMWD will utilize reserve funds over the next two years to help offset the highest inflationary costs we've seen in nearly 40 years.

YOU'RE INVITED TO ATTEND OUR

PROPOSED RESIDENTIAL RATES PUBLIC HEARING

Date: June 21, 2023
Time: 9:00 a.m.

Location: Eastern Municipal Water District Board Room
2270 Trumble Road, Perris, CA 92570

The Board of Directors of Eastern Municipal Water District (EMWD) will conduct a public hearing to consider changes to the water and sewer rate structures and rates set forth herein. Any customers or property owners may appear at the hearing to make comments regarding the proposed changes. To file an opposition, property owners and tenants of real property who are directly liable to pay water and/or sewer bills may submit a written protest against the proposed water rate increases, the proposed sewer rate increases, or both. Written protests may be mailed or delivered in-person to Eastern Municipal Water District, Attention: 2024-2025 Proposed Rates, PO Box 8300, Perris, CA 92572-8300. Protests must include: your name, parcel number and/or service address, and your signature. All written protests must be received prior to the conclusion of the public hearing. Challenges to Board adopted rates are subject to a 120 day statute of limitations.

More information about the proposed changes is available in this document and online at **www.emwd.org/ProposedRates**.

Fees-for-Service Study

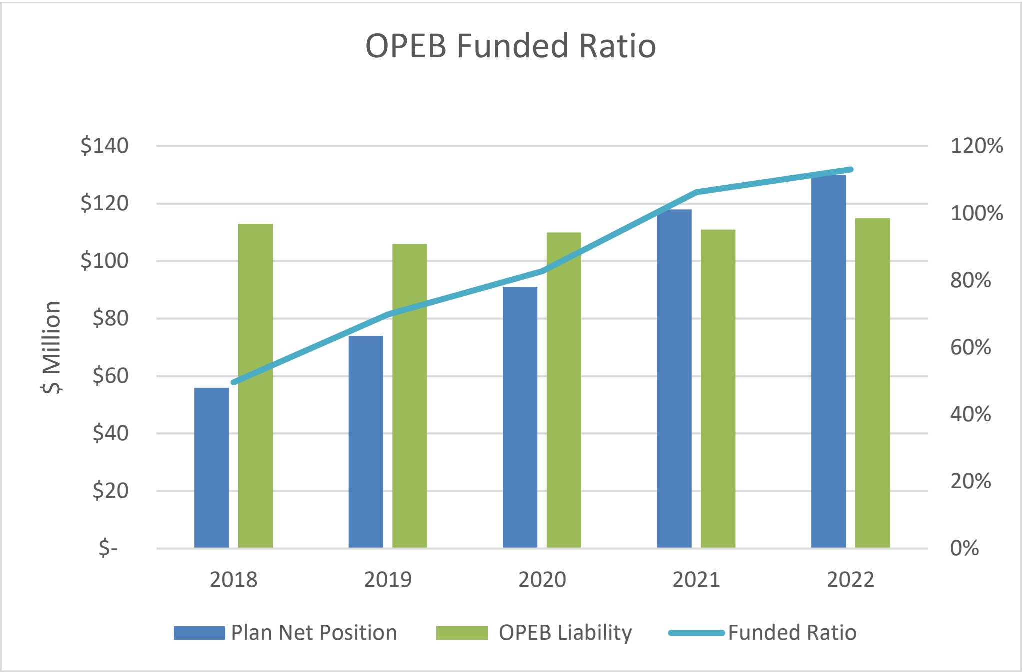
The District provides a variety of discrete services to customers and assesses a Fee-for-Service which represents less than 2.0 percent of the rates, fees, and charges the District assesses. These fees are intended to equitably cover the District's costs for the services provided to avoid the costs from being subsidized by existing ratepayers. In 2019, the District completed and the Board approved Phase I of the Fees-for-Service Study which focused on existing, routine fees that required no business process. In 2023, the District completed and the Board approved Phase II of the Fees-for-Service Study which focused on all fees, including those which are assessed as a deposit (known as a deposit-based fee) as well as those associated with business process improvements. The Board also authorized the continuance of an annual adjustment to the Fees-for-Service fees effective the first day of each calendar year based upon changes in the Consumer Price Index.

Other Post-Employment Benefits

The District established a funding policy to fund its retiree health program through the California Employers' Retiree Benefit Trust (CERBT) and started funding in fiscal year 2013 with a goal to achieve full funding by fiscal year 2033-2034. The District began funding future costs in July 2012 and July 2013 with initial $2.8 and $5.7 million deposits to CERBT. In fiscal year 2014, the District implemented a new tier of OPEB benefits for future hires that dramatically improved the plan funding and viability over the long term. In addition, the District adopted funding policy principles that direct how the OPEB Trust will be funded over time, in accordance with sound funding principles. Commencing in fiscal year 2015, the District made its full Actuarially Determined Contribution (ADC) and continued to do so until fiscal year 2021.

In June 2022, the OPEB assets from the CERBT Program were transferred to the Eastern Municipal Water District (EMWD) Section 115 Trust, OPEB Portfolio, a single employer defined benefit plan, as authorized by a resolution adopted by the Board of Directors on December 15, 2021. The EMWD OPEB Trust will continue to provide funding for postemployment healthcare benefits to all qualified employees, through CalPERS or other future OPEB plans, including the postemployment group life insurance. As of June 30, 2023, the total value of assets in the OPEB Trust was $129.6 million, as reported in the Statement of Fiduciary Net Position of the Basic Financial Statements.

In fiscal year 2022, the District reached its goal of fully funding its OPEB obligations, sooner than its target fiscal year 2033-2034. As of June 30, 2023, the District reported $2.3 million in net OPEB assets on the Statement of Net Position.



Eastern Municipal Water District Section 115 Trust

On December 15, 2021, the District's Board of Directors adopted Resolution No. 2021-200, approving the Eastern Municipal Water District Section 115 Trust Agreement. The Trust, established to invest and accumulate funds for pension, retiree health, and other postemployment benefits, is comprised of two portfolios, the pension portfolio (Pension Benefit Trust) and the OPEB portfolio (OPEB Trust). The Pension Benefit Trust invest funds designated for payment to CalPERS (or other future pension plans sponsored by the District) and may also be used to fund current employer contributions (normal pension costs) or pay down the unfunded pension liability. The OPEB Trust provides funding for postemployment healthcare benefits to District retired employees meeting the OPEB plan's requirements through CalPERS and other plans, including group life insurance. The Retirement Trust Committee, which oversees the Trust and its investments policy, is comprised of two members of the District's Board of Directors, the District's General Manager, Deputy General Manager, and Chief Financial Officer. As of June 30, 2023, the value of assets in the Pension Benefits Trust was $ 30.6 million, an increase of $17.3 million from fiscal year 2022, the year the Trust was established. The value of assets in the OPEB Trust was $129.6 million, an increase of $12.0 million from the year the Trust was established and moved from the CalPERs OPEB Trust.

Accounting Systems

The Finance Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, custody and investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching the revenues against the costs of providing the services. Revenues and expenses are recorded on an accrual basis in the period in which the revenue is earned, and the expenses are incurred.

Internal Controls

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with GAAP. Management follows the concept of reasonable assurance in recognizing that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments. The most recent audits have not uncovered any weaknesses in internal control that would cause concern. However, recommendations for improvement are always welcome and are implemented where feasible.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Eastern Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2022. This was the nineteenth consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

Joe Mouawad, P.E.
General Manager

Laura M. Chavez-Nomura, CPA
Deputy General Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Eastern Municipal Water District
California

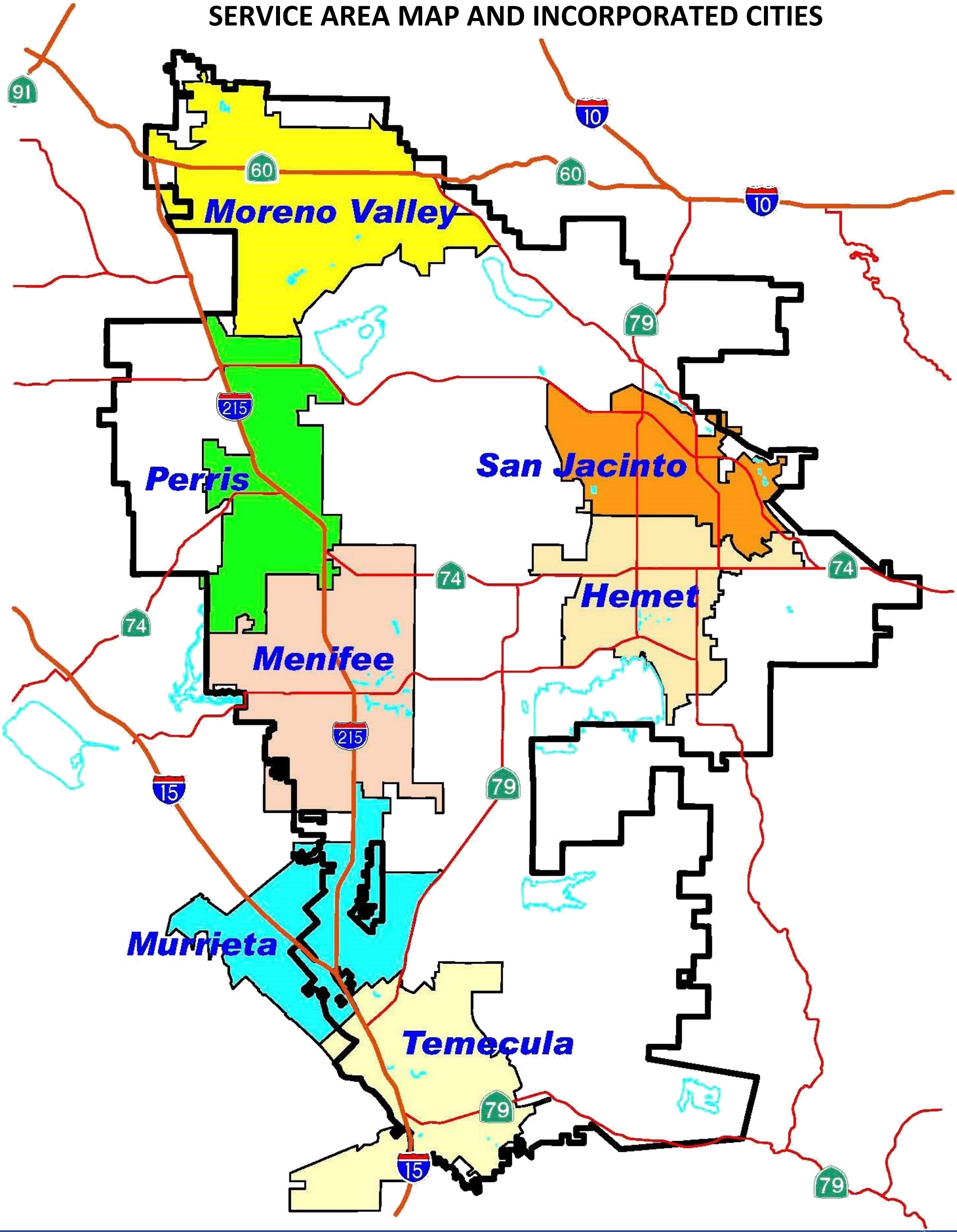
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

SERVICE AREA MAP AND INCORPORATED CITIES



List of Elected & Appointed Officials
June 30, 2023

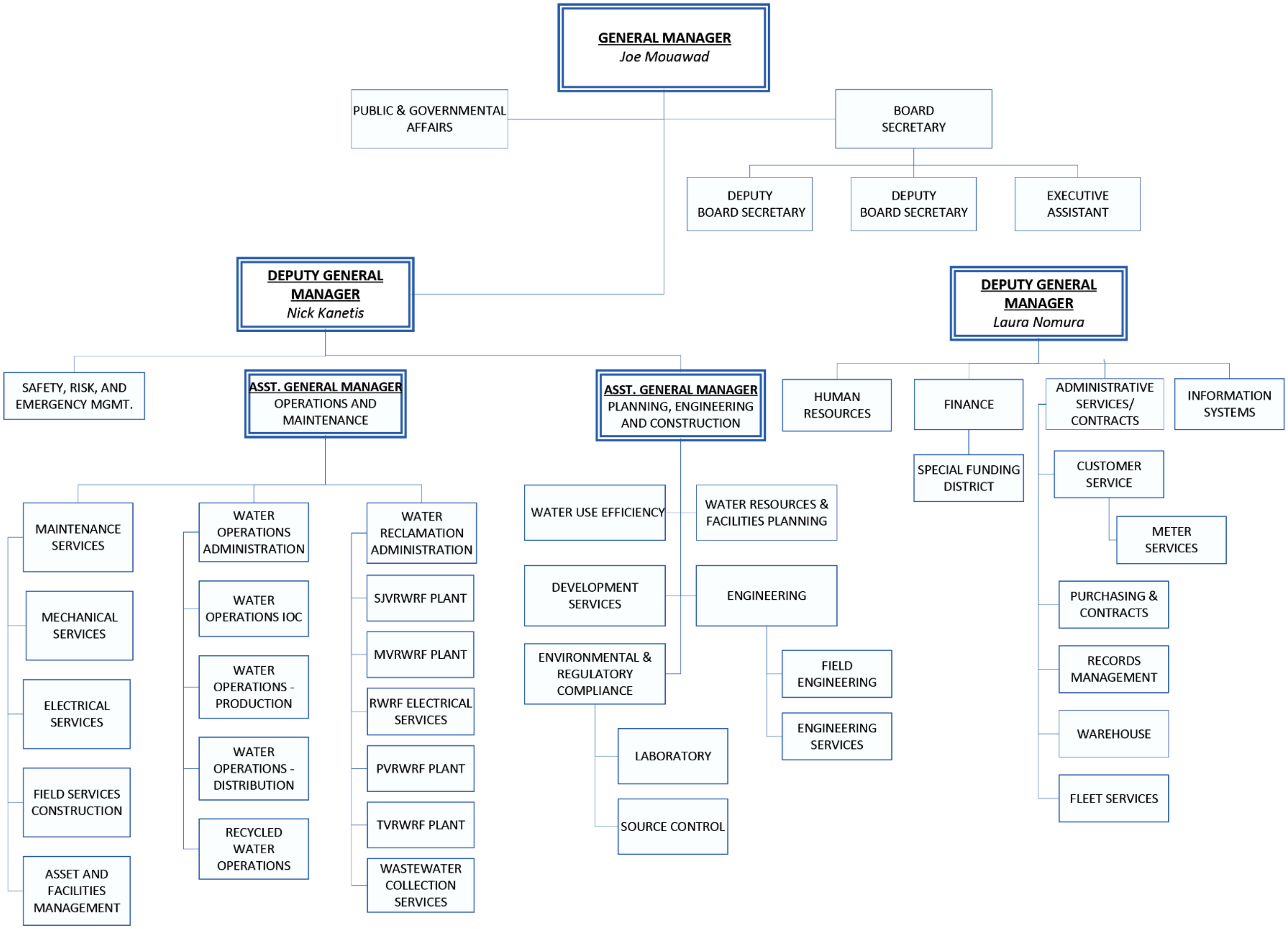
BOARD OF DIRECTORS

Position	Name	Elected	Current Term of Office
President	Philip E. Paule	11/2006	2022-2026
Vice President	Stephen J. Corona	11/2018	2022-2026
Director	Jeff Armstrong	11/2019	2020-2024
Director	Randy A. Record	11/2000	2020-2024
Director	David J. Slawson	11/1994	2022-2026

EXECUTIVE MANAGEMENT

Position	Name
General Manager	Joe Mouawad, P.E.
Deputy General Manager	Laura M. Nomura, CPA
Deputy General Manager	Nicolas Kanetis, P.E.
Assistant General Manager	Matthew Melendrez, P.E.
Assistant General Manager	Lanaya Voelz-Alexander, P.E.

DISTRICT ORGANIZATIONAL CHART



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eastern Municipal Water District
Perris, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Eastern Municipal Water District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Eastern Municipal Water District
Perris, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension and other postemployment benefits schedules, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Eastern Municipal Water District
Perris, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining fiduciary fund financial statements (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Summarized Comparative Information

We have previously audited the financial statements of the District for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated November 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, except for the retroactive implementation of GASB Statement No. 96, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 6, 2023

Management's Discussion and Analysis

On behalf of the Eastern Municipal Water District (the "District"), we are pleased to offer the following narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage all readers of the District's financial statements to consider the financial information presented in this section in conjunction with the accompanying financial statements, notes, analyses, and additional information furnished in our letter of transmittal at the opening of this report.

Financial Highlights

- Total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $2,064.3 million (net position). The District's net position, which increased $126.1 million or 6.5 percent from the prior fiscal year, includes net investment in capital assets of $1,527.4 million; restricted for debt service and construction, $160.6 million; restricted for pension benefits trust, $30.8 million; and unrestricted, $345.5 million.
- Total assets are $3,349.3 million, an increase of $81.5 million or 2.5 percent over the prior fiscal year. Changes in the District's assets include increases in net capital assets of $70.6 million and cash and investments, $31.0 million. These increases are offset by a decrease of $21.6 million in net other post-employment benefits obligation (OPEB) assets. The District added $189.4 million in capital assets during the fiscal year, offset by an increase of $114.0 million in accumulated depreciation.
- Total deferred outflows of resources were $90.9 million, reflecting an increase of $42.9 million or 89.7 percent from the prior fiscal year primarily due to a $33.9 million increase in deferred outflows from pension.
- Total liabilities are $1,350.8 million, an increase of $52.1 million or 4.0 percent over the prior fiscal year. The increase is attributable to the $75.6 million increase in net pension liability, offset by a decrease of $21.9 million in revenue bonds payable resulting from principal debt payments during the fiscal year.
- Total deferred inflows of resources, $25.2 million, was $53.8 million or 68.1 percent less than the prior fiscal year due to decreases in deferred inflows from pension, $39.8 million, and deferred inflows from OPEB, $15.8 million.
- Total revenue and capital contributions exceeded operating and non-operating expenses by $126.1 million (the change in net position). Combined increases in non-operating revenue and capital contributions of $11.6 million are offset by a $6.8 million decrease in operating revenues. An increase of $23.8 million in total operating expenses is offset by a $34.1 million decrease in total non-operating expenses, resulting in a $10.6 million net decrease in total District expenses over the prior fiscal year.
- Total operating and non-operating revenues, $ 458.3 million, increased by $3.5 million or .8 percent from the prior fiscal year. Of this total, operating revenues decreased $6.8 million or 2.3 percent resulting from a decrease in water sales of $11.3 million or 6.6 percent and offset by a $5.1 million increase in sewer service charges. Non-operating revenues increased $10.2 million or 6.5 percent as a result of increases in property tax revenue, $4.7 million; water and sewer connection fees, $2.7 million; interest revenue, $5.9 million; and other revenues, $2.0 million.
- Total expenses, $403.8 million, decreased by $10.4 million or 2.5 percent over the prior fiscal year. Of this decrease, $28.8 million or 89.7 percent is due to the increase in the fair value of investments, offset by a $21.9 million increase in general and administrative expenses.

- Capital contributions total $71.6 million, an increase of $1.4 million or 2.0 percent from the prior fiscal year. This increase is due to a $12.7 million increase in developer contributions, offset by an $11.5 million decrease in capital grant funding.

Overview of the Financial Statements

The District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows and notes to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

- *Statement of Net Position:* This statement presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- *Statement of Revenue, Expenses and Changes in Net Position:* This statement presents information on the District's current fiscal year revenue and expense. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.
- *Statement of Cash Flows:* This statement provides relevant information about the District's cash receipts and cash payments segregated among operating, capital, and related financing, and investing activities.
- *Notes to the Basic Financial Statements:* These notes provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Analysis

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's total activity.

Table 1, Net Position

STATEMENT OF NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

			Increase (Decrease)	
	2023	**2022**	**Amount**	**% Change**
ASSETS				
Current assets	**$ 575,727,157**	$ 532,712,567	$ 43,014,590	8.1%
Noncurrent assets	**232,823,647**	265,003,253	(32,179,606)	-12.1%
Net capital and right-to-use assets	**2,540,770,914**	2,470,149,788	70,621,126	2.9%
Total Assets	**$ 3,349,321,718**	$ 3,267,865,608	$ 81,456,110	2.5%
Total Deferred Outflows of Resources	**$ 90,903,873**	$ 47,909,499	$ 42,994,374	89.7%
LIABILITIES				
Current liabilities	**$ 133,504,279**	$ 133,084,988	$ 419,291	0.3%
Other liabilities	**223,910,347**	142,428,031	81,482,316	57.2%
Long-term debt outstanding	**993,340,385**	1,023,109,694	(29,769,309)	-2.9%
Total Liabilities	**$ 1,350,755,011**	$ 1,298,622,713	$ 52,132,298	4.0%
Total Deferred Inflows of Resources	**$ 25,168,020**	$ 78,946,380	$ (53,778,360)	-68.1%
NET POSITION				
Net investment in capital assets	**$ 1,527,405,900**	$ 1,429,834,829	$ 97,571,071	6.8%
Restricted for debt service covenants	**109,069,049**	113,075,796	(4,006,747)	-3.5%
Restricted for pension benefit trust	**30,767,996**	13,390,147	17,377,849	100.0%
Restricted for construction	**51,525,898**	76,942,299	(25,416,401)	-33.0%
Unrestricted	**345,533,717**	304,962,943	40,570,774	13.3%
Total Net Position	**$ 2,064,302,560**	$ 1,938,206,014	$ 126,096,546	6.5%
Ratio of Liabilities and Deferred Inflows to Assets and Deferred Outflows of Resources	**40%**	42%		

Comparing net position over time may serve as a useful indicator of a district's financial position. As shown on Table 1, the District's statement of net position includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,064.3 million (net position) representing an increase of $126.1 million or 6.5 percent from the prior fiscal year.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources decreased from 42 percent in fiscal year 2022 to 40 percent in fiscal year 2023. This ratio indicates the degree to which the District's assets are financed through borrowing and other obligations.

- Total assets increased $81.5 million or 2.5 percent from the prior fiscal year. This change includes increases in cash and investments, $31.0 million; net capital assets, $70.6 million; and a $21.6 million decrease in net other post-employment benefits (OPEB) assets.

  The $70.6 million increase in net capital assets represents net increases of $69.2 million in capital assets, $1.9 million in right to use lease assets, and a $448 thousand decrease in right to use subscription assets. Significant additions to capital assets include the substantial completion of Wells 201, 202, 203, and 205 Equipping, $25.4 million; San Jacinto Valley Raw Water Conveyance Facilities, Phase 1 Pipeline, $19.4 million; and Cactus II Feeder Transmission Water Pipeline, Phase 1, $15.8 million.

  The $21.6 million decrease in net OPEB asset is attributable to a combination of several factors, including less favorable actual asset performance compared to expected; lower healthcare cost increase than expected for a net asset increase; and reduction in Single Equivalent Discount Rate (SEDR) based on updated expected rate of return of the Trust that produces an asset decrease. The District's Other Postemployment Benefits (OPEB) plan, which achieved full funding status in fiscal year 2022, is 102 percent fully funded.
- Total liabilities, $1,350.7 million, increased $52.1 million or 4.0 percent in the current fiscal year. These changes include a decrease in revenue bonds payable, $21.9 million, and an increase in net pension liability, $75.6 million. The increase in net pension liability is primarily due to lower than expected returns in the Plan's net investment income, combined with increases in the Plan's service cost, interest on total pension liability, the difference between expected and actual experience, and changes in assumption for the June on 30,2022 measurement period.
- Deferred outflow of resources, $90.9 million, increased $42.9 million or 89.7 percent over the prior fiscal year, primarily due to a $33.9 million increase in deferred outflow for pensions resulting from changes in assumption, $15.5 million; differences between expected and actual experience, $6.1 million, and the net difference between projected and actual earnings, $19.8 million.
- Deferred inflow of resources, $25.2 million, decreased by $53.8 million due to the net difference between actual and expected earnings for pension, $39.8 million, and other postemployment benefits, $15.8 million.

Table 2, Changes in Net Position

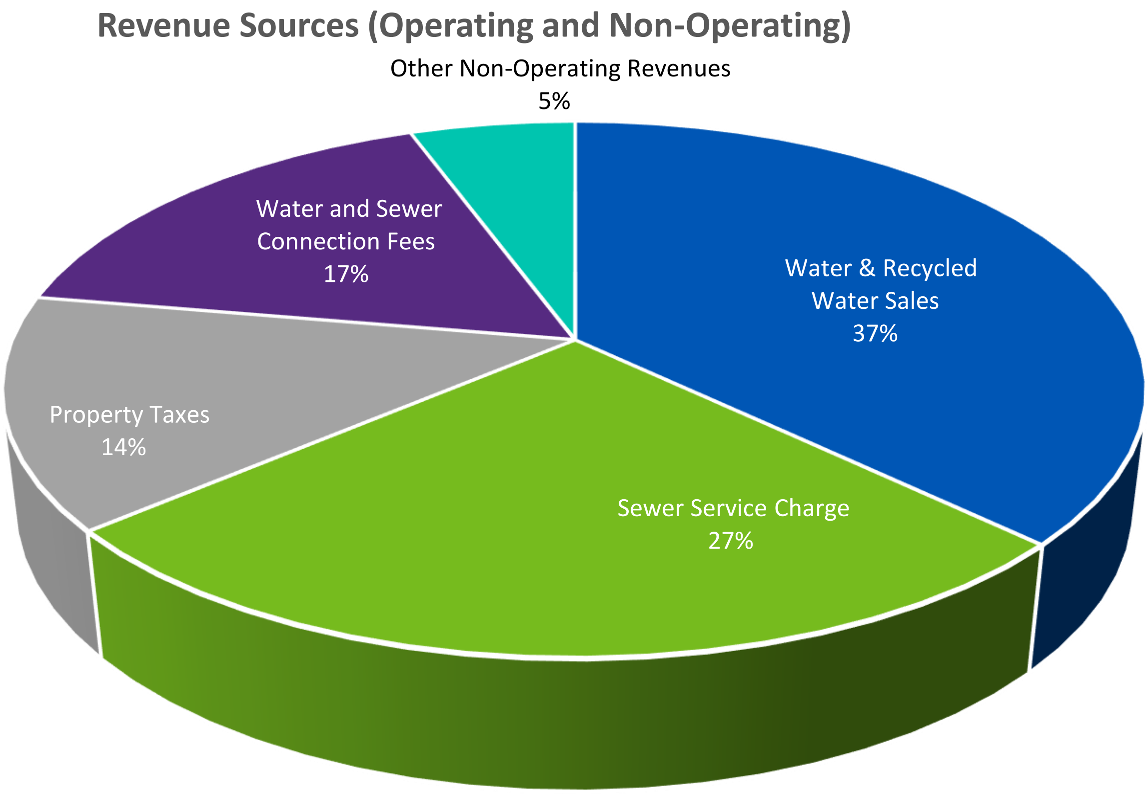
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 3, 2023 AND 2022

	June 30		Increase (Decrease)	
	2023	**2022**	**Amount**	**% Change**
Operating revenues:				
Water sales	**$ 161,049,316**	$ 172,342,283	$ (11,292,967)	-6.6%
Sewer service charge	**121,956,150**	116,893,529	5,062,621	4.3%
Recycled water sales	**9,087,994**	9,610,661	(522,667)	-5.4%
Total operating revenues	**292,093,460**	298,846,473	(6,753,013)	-2.3%
Non-operating revenues:				
Property taxes	**63,971,115**	59,234,196	4,736,919	8.0%
Water and sewer connection fees	**76,662,441**	73,951,090	2,711,351	3.7%
Interest revenue	**10,465,228**	4,538,974	5,926,254	130.6%
Grant revenues	**364,314**	5,641,424	(5,277,110)	-93.5%
Lease revenue	**617,095**	524,018	93,077	17.8%
Other revenues	**14,104,166**	12,081,834	2,022,332	16.7%
Total non-operating revenues	**166,184,359**	155,971,536	10,212,823	6.5%
Total revenues	**458,277,819**	454,818,009	3,459,810	0.8%
Operating expenses:				
Purchased water	**63,764,342**	78,171,078	(14,406,736)	-18.4%
Water operations	**64,868,489**	58,469,496	6,398,993	10.9%
Sewer operations	**62,475,345**	55,659,676	6,815,669	12.2%
Recycled water operations	**9,215,225**	8,265,324	949,901	11.5%
General and administrative	**47,082,764**	25,129,885	21,952,879	87.4%
Depreciation and amortization	**114,015,134**	111,969,576	2,045,558	1.8%
Total operating expenses	**361,421,299**	337,665,035	23,756,264	7.0%
Non-operating expenses:				
Net increase (decrease) in fair value of investments	**3,318,457**	32,146,234	(28,827,777)	-89.7%
Gain (loss) on disposal of capital assets	**531,114**	2,260,347	(1,729,233)	-76.5%
Interest expense	**28,047,333**	26,983,039	1,064,294	3.9%
General obligation fund service fees	**-**	185,612	(185,612)	-100.0%
Research and development costs	**7,170,124**	6,149,073	1,021,051	16.6%
Other expenses	**3,280,733**	8,736,921	(5,456,188)	-62.4%
Total non-operating expenses	**42,347,761**	76,461,226	(34,113,465)	-44.6%
Total expenses	**403,769,060**	414,126,261	(10,357,201)	-2.5%
Income (loss) before contributions	**54,508,759**	40,691,748	13,817,011	34.0%
Capital contributions	**71,587,787**	70,162,194	1,425,593	2.0%
Change in net position	**126,096,546**	110,853,942	15,242,604	13.8%
Total net position - beginning of year, as restated (Note 1)	**1,938,206,014**	1,827,352,072	110,853,942	6.1%
Total net position - end of year	**$ 2,064,302,560**	$ 1,938,206,014	$ 126,096,546	6.5%

Changes in Financial Performance of the District

The District's statement of revenue, expenses, and changes in net position reports the results of its operations for the fiscal year ended June 30, 2023. A summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022 is reported on Table 2 of the previous page.

Revenues



The District's operating revenues, which include water sales, sewer service charges, and recycled water sales, contributed $292.1 million or 64.0 percent of total revenues. Operating revenues decreased $6.8 million or 2.3 percent from the prior fiscal year mostly due to an $11.3 million or 6.6 percent decrease in water sales, partially offset by a $5.1 million or 4.3 percent increase in sewer sales. The decrease in water sales is accompanied by a corresponding decrease in the purchase cost of water, which was $14.4 million or 18.4 percent lower than the prior fiscal year (see discussion on Expenses, page 40). Total acre-feet sales for the fiscal year were 82,578 compared to 92,695 in the prior fiscal year. Of this, domestic water sales were 77,134 acre-feet compared to 86,045 acre-feet in the prior fiscal year, a decrease of 8,911 acre-feet or 10.4 percent. Driving the decrease were the drought early in the fiscal year and the unusually heavy rainfall in the months of December 2022 to March 2023.

Non-operating revenues, which include property taxes, water and sewer connection fees, interest revenue, and grant revenues, contributed $166.2 million or 36.3 percent to total revenues. The increase in non-operating revenues from the prior fiscal year was $10.2 million or 6.5 percent. These changes include increases in property taxes, $4.7 million; water and sewer connections fees, $2.7 million; interest revenue, $5.9 million; and other revenues (including late fees), $2.0 million. Operating grant revenue decreased $5.3 million.

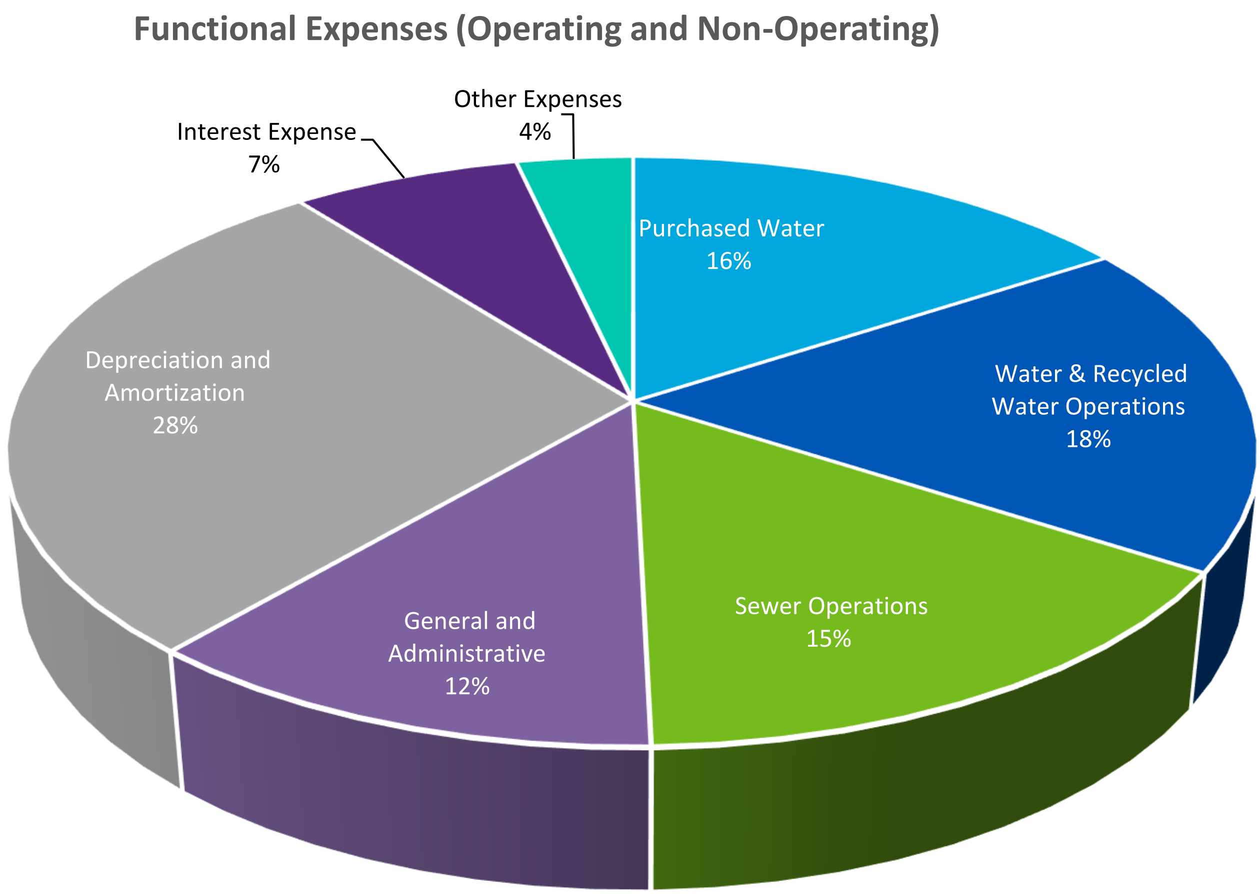
Property tax revenue, which includes general levy and infrastructure availability charges, were $64.0 million for the current fiscal year, an increase of $4.7 million resulting from higher property valuations within the District's service area.

Water and sewer connections fees, which are 3.7 percent higher than the prior fiscal year, reflect a 3.2 percent increase in sewer connections (equivalent dwelling units or EDUs), offset by an 11.2 percent decrease in water connections (equivalent meter size or EMS). Within the District's service area, the highest sewer connection revenues by regions, were in the Menifee/Romoland and Winchester/French Valley areas, at $16.6 million and $9.2 million, respectively.

Interest revenue was $10.5 million compared to $4.5 million in the prior fiscal year, reflecting an increase of $5.9 million resulting from higher Federal Reserve benchmark rates.

The $5.3 million decrease in operating grant revenue reflects the effect of the $5.2 million American Rescue Plan Act (ARPA) funding received from the State of California Water and Wastewater Arrearage Program (CWWAP) in the prior fiscal year. This funding was applied to residential and commercial customer water and sewer past due accounts during the COVID-19 pandemic bill relief period.

Expenses



The District's operating expenses, which include the cost of purchased water, water service, sewer service and recycled water operating costs, total $361.4 million or 89.5 percent of total expenses. The increase in total operating expenses from the prior fiscal year was $23.8 million or 7.0 percent. Significant changes include lower water purchase cost, from $78.2 million in the prior fiscal year, to $63.8 million in the current fiscal year; combined increases in water, sewer, and recycled water operating expense, $14.2 million; and a $21.9 million increase in general and administrative expense.

The $14.4 million, 18.4 percent decrease in purchased water cost is reflective of decreased water sales resulting from drought conditions earlier in the fiscal year and heavy rainfall during the winter and spring months.

The combined cost of water, sewer, and recycled water increased $14.2 million or 11.6 percent, with water operations reporting an increase of $6.4 million, sewer operations, $6.8 million, and recycled water operations, $950 thousand.

Included in the water operations expenses are higher direct labor, materials and supplies, energy, and outside services costs. The higher energy cost is due to Southern California Edison's (SCE) rate increases and the change in shift time from 12pm to 5pm (non-peak hours) to 4pm to 9pm (peak hours). The increase in outside service costs reflects higher replacement and repair activities within the District's filtration plants and pump stations. Materials and supplies expense increase reflect higher chemical costs and increased chemical cleaning activities at treatment plants due to a higher take of Colorado River Aqueduct untreated water and increased desalter production.

Sewer operational costs were $62.5 million, an increase of $6.8 million or 12.2 percent from the prior fiscal year. Causes of increased operational expenses include higher energy costs resulting from SCE's rate increases, higher chemical costs due to inflation and increased sewer flows at the Temecula Valley Regional Water Reclamation Facility (TVRWRF) and increased contractual maintenance expenses at the Moreno Valley Regional Water Reclamation Facility (MVRWRF) and the Perris Valley Regional Water Reclamation Facility (PVRWRF) due to work on the pre- removal and final removal of fuel cells.

General and administrative (G&A) costs were $47.1 million, an increase of $22.0 million from the prior fiscal year. The prior fiscal year's G&A expenses were lower than the average annual costs due to a $14.0 million decrease in pension expense resulting from higher than expected returns. This year's G&A cost level returns to its annual average cost which ranged from $40.5 million in fiscal year 2020 to $44.7 million in fiscal year 2021. Other factors that contributed to this fiscal year's slight increase in average G&A costs was the $951 thousand prior period adjustment (which decreased the fiscal year 2022 G&A) related to the implementation of GASB Statement No. 96, Subscription Based Information Technology Arrangements; increased energy and gas costs due to utility provider rate increases; and increased security costs reflecting contract rate increases.

Non-operating expenses, which include loss on disposal of capital assets, interest expense on debt obligations, research and development costs, other expenses, and the change in fair value of investments, total $42.3 million or 18.5 percent of total expenses. Non-operating expenses decreased $34.1 million or 44.6 percent primarily due to the change (increase) in fair value of investments, $28.8 million, resulting from favorable market conditions during the fiscal year as compared to the prior fiscal year, which reported a decrease in the fair value of investments by $27.7 million. This change brings the level of non-operating expenses back to its average annual cost levels, which ranged from $45.4 million in fiscal year 2020 to $41.1 million in fiscal year 2021. Other factors related to the current fiscal year's decreased non-operating costs include a $5.2 million decrease in residential and commercial customer past due accounts written-off in the prior fiscal year, related to the Covid-19 pandemic bill relief period which was funded by the American Rescue Plan Act (ARPA) from the State of California Water and Wastewater Arrearage Program (CWWAP) in the prior fiscal year.

Capital Contributions

Capital contributions are $71.6 million, reflecting an increase of $1.4 million from the prior fiscal year. The change resulted from a $12.7 million increase in developer contributions, offset by an $11.5 million decrease in capital grants revenue. Included in the developer contribution increased amount are contributions from the Western Municipal Water District's $6.9 million capacity purchase related to the interagency agreement with March Air Reserve Base, and various contributions totaling $6.9 million for water facilities, pump stations, and recycled water facilities. The decrease in capital grants revenue is mostly from last year's $9.1 million grant revenue recognized from the State of California State Water Resources Control Board's $62.0 million funding for the District's Perris North Basin Groundwater Contamination Prevention and Remediation Project.

Capital Assets

The District reported an increase of $70.6 million in net capital assets in fiscal year 2023. A comparison of changes in capital assets is provided in Table 3 below.

Table 3, Capital Assets

Capital Assets
For the Fiscal Years Ended June 30, 2023 and 2022

			Increase (Decrease)	
	2023	2022	Amount	% Change
Land	$ 74,962,440	$ 74,084,100	$ 878,340	1.2%
Tunnel Water Seepage Agreement	1,750,900	1,750,900	-	0.0%
Water capacity rights	32,430,476	32,430,476	-	0.0%
Water plant, lines and equipment	1,715,638,583	1,593,423,526	122,215,057	7.7%
Sewer plant, lines and equipment	2,215,754,703	2,184,263,213	31,491,490	1.4%
Equipment and general facilities	95,858,724	94,068,947	1,789,777	1.9%
Construction in progress	137,434,132	117,794,986	19,639,146	16.7%
Total capital assets	4,273,829,958	4,097,816,148	176,013,810	4.3%
Less accumulated depreciation	(1,739,366,071)	(1,632,552,399)	(106,813,672)	6.5%
Net capital assets	$ 2,534,463,887	$ 2,465,263,749	$ 69,200,138	41.0%
Right to use lease assets, being amortized:				
Right to use-leased land	$ 2,387,967	$ 558,878	$ 1,829,089	327.3%
Right to use-leased equipment	1,914,215	1,446,428	467,787	32.3%
Right to use-leased SAWPA capacity rights	1,037,340	1,037,340	-	0.0%
Total right to use lease assets	5,339,522	3,042,646	2,296,876	75.5%
Less accumulated amortization	(1,170,285)	(742,510)	(427,775)	57.6%
Net right to use lease assets	$ 4,169,237	$ 2,300,136	$ 1,869,101	81.3%
Right to use IT Subscription assets, being amortized:				
Right to use- IT Subscription	$ 4,019,499	$ 3,431,497	$ 588,002	17.1%
Total right to use IT Subscription assets	4,019,499	3,431,497	588,002	17.1%
Less accumulated amortization	(1,881,709)	(845,594)	(1,036,115)	122.5%
Net right to use IT Subscription assets	$ 2,137,790	$ 2,585,903	$ (448,113)	-17.3%
Total net capital assets and right to use assets	$ 2,540,770,914	$ 2,470,149,788	$ 70,621,126	2.9%

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements, during the fiscal year. The new statement required the recognition of the right to use subscription assets in the amount of $2.1 million (net). This amount is included in the increase of $70.6 million in net capital assets from the prior fiscal year. Additional information can be found in Notes 1 and 6 of the Basic Financial Statements.

Significant additions to the water and sewer plant, lines and equipment include the substantial completion of Wells 201, 202, 203 and 205 Equipping, $25.4 million; the San Jacinto Valley Raw Water Conveyance Facilities Phase 1 Pipeline, $19.4million; and the Cactus II Feeder Transmission Water Pipeline Phase 1, $15.8 million.

The Wells 201, 202, 203 and 205 Equipping Project (Project) is part of the District's San Jacinto Valley Water Banking Enhanced Recharge and Recovery Program Groundwater Reliability Plus initiative and the Santa Ana River Conservation and Conjunctive Use Program. These programs collectively seek to improve the quality, quantity, and reliability of local water supplies by recharging imported water in the local groundwater basin during wet or average years for subsequent pumping or storage for the future. The Project will equip each previously drilled groundwater well with the pumping facilities needed to pump groundwater out of the aquifer. These facilities include pumping units, motors, emergency generators, piping, valves, appurtenances, electrical equipment, mechanical equipment, a masonry block building, and general site improvements. The raw groundwater will be treated to drinking water standards at a future treatment facility. Wells 201 and 202 were substantially completed as of June 30, 2023. Wells 203 and 205 are anticipated to be completed in early 2024.

The Phase 1 Pipeline (Pipeline) is also part of the District's San Jacinto Valley Raw Water Conveyance Facilities (SJVRWCF) project and falls under the District's San Jacinto Valley Water Banking Enhanced Recharge and Recovery Program (SJVWB ERRP), the Groundwater Reliability Plus (GWR Plus) initiative, and the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). The Pipeline includes approximately 2.25 miles of a sixty-inch diameter transmission. In conjunction with the associated SJVRWCF improvements, the Pipeline will provide a conveyance capacity of up to 42 cubic feet per second (cfs) and ultimately up to 100 cfs upon completion of the future Phase 2 improvements. It will also convey raw water via Metropolitan Water District of Southern California's (Metropolitan) Inland Feeder Eastside Pipeline conveyance system to the District's existing Integrated Recharge and Recovery Facilities (IRRP) and the proposed Enhanced Recharge and Recovery Facilities (ERRP) for water banking and recharge.

The Pipeline project, which includes cathodic protection system improvements on the existing thirty-three inch and Thirty-nine-inch San Jacinto Valley Raw Water Feeders (SJVF) to enhance the reliability of the existing conveyance system, was substantially completed as of June 30, 2023, with final work to be completed by December 31, 2023.

The Cactus II Feeder transmission pipeline provides a major backbone transmission to improve water delivery to the Moreno Valley area. The Cactus Avenue Booster Pumping Station, together with the Cactus I Feeder Transmission Pipeline, convey potable water eastward from Metropolitan Water District's Mills Water Treatment Facility into central and eastern Moreno Valley. It extends the existing conveyance system to increase supply capacity, stabilize the distribution system, and accommodate planned development in eastern Moreno Valley. Phase 1 includes approximately two miles of thirty-inch to forty-two inch diameter transmission and two turnout sites with above-ground pressure reducing and sustaining stations to interconnect local conveyance facilities. This project was substantially completed on April 30, 2023, with final completion following on May 22, 2023.

During the fiscal year, additions to construction in progress totaled approximately $126.8 million. Some of the major projects currently underway and exceeding $2.0 million include:

	Millions
• Seventy-eight water and sewer projects between $100,000 - $500,000	$ 17.1
• Remaining water and sewer projects with expenses less than $100,000	13.1
• San Jacinto Valley Raw Water Conveyance Facilities-Phase I Pipeline	12.9
• Eighteen water and sewer projects between $500,000 - $1,000,000	12.2
• Wells 201, 202, 203 and 205 Equipping	12.2
• Seven water and sewer projects between $1,000,000 - $2,000,000	9.6
• Cactus II Feeder Transmission Pipeline	8.2
• MVRWRF Plant 2B Equipping and Flow Diversion	6.7
• Perris II Desalter (5.4 MGD)	5.6
• Purrified Water Replenishment-Advance Treatment Facility	3.2
• Emergency Fuel Storage Facilities	3.1
• French Valley Recycled Water Distribution Pipeline, Phase II	3.0
• San Jacinto Valley Raw Conveyance Facilities-EM-25 Service Connection	3.0
• Citrus II Tank Interior Recoating	2.8
• Pettit Regulated Pressure Zone	2.7
• Murrieta Road Transmission Pipeline Improvements	2.6
• Perris North Cactus Corridor Area Facilities	2.3
• Valley Blvd Brackish Water Transmission Pipelines	2.3
• Perris North Pipeline Phase II	2.1
• SJVRWRF Plant 1 Rehabilitation, Centrate Equalization & Digester No. 2	2.1
	$ 126.8

The District had $191.6 million in construction contract commitments as of June 30, 2023 (additional information can be found in Note 11 of the Basic Financial Statements).

Long-Term Liabilities

Long-Term liabilities consist of outstanding debt and other liabilities. Long-term debt includes advances for construction, notes, and assessments, revenue bonds, general obligation bonds and unamortized deferred amounts for premiums and discounts related to debt issuances. Other long-term liabilities include state revolving fund (SRF) loans, advances from developers, other accrued expenses, compensated absences, lease liability, subscription liability, and net pension liability.

The District had a total of $993.3 million in outstanding debt and $223.9 million in other liabilities at June 30, 2023, an increase of $51.7 million or 4.4 percent from the prior fiscal year. This change is primarily due to the following: $21.9 million decrease in revenue bonds outstanding due to scheduled principal debt payments and $75.6 million increase in net pension liability due to the unfavorable outcome in the Plan's net investment income combined with increases in service cost, interest on total pension liability, the difference between expected and actual experience, and changes in assumption for the June 30, 2022 measurement period.

The District's debt obligations have been assigned the following ratings:

Rating Agency	Parity Revenue Bond	Subordinate Revenue Bond
Fitch Ratings	AAA	AAA
Standard and Poor's	AA+	AA+
Moody's	Aa1	Aa2

More detailed information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide Eastern Municipal Water District's elected officials, citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding any of the information provided in this report or need additional financial information, please contact the District's Finance Department at 2270 Trumble Road, P.O. Box 8300, Perris, CA 92572-8300. General information relating to the District can be found on its website http://www.emwd.org.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Assets:		
Current assets:		
Cash and investments	**$ 497,306,245**	$ 455,197,500
Utility accounts receivable, net of allowance	**37,321,001**	38,511,511
Property taxes receivable	**1,573,134**	1,529,413
Accrued interest receivable	**2,317,368**	1,563,729
Grants receivable	**3,365,424**	9,516,331
Leases receivable	**521,085**	429,373
OPEB Trust receivable	**6,093,494**	-
Other receivables	**3,072,139**	4,433,536
Prepaid expenses	**3,946,331**	3,359,362
Materials and supplies inventory	**4,561,768**	4,233,638
Water inventory	**15,649,168**	13,938,174
Total current assets	**575,727,157**	532,712,567
Noncurrent assets:		
Debt service covenants cash and investments - restricted	**129,448,981**	132,955,095
Pension benefit trust cash and investments - restricted	**30,767,996**	13,390,147
Construction cash and investments - restricted	**56,171,816**	81,152,875
Property taxes receivable	**-**	44,700
Leases receivable	**6,317,537**	5,596,513
Soboba reimbursement receivable	**6,293,526**	6,293,526
Notes receivable	**1,495,640**	1,616,305
Net OPEB asset	**2,328,151**	23,954,092
Capital assets not being depreciated	**214,147,472**	193,629,986
Capital assets being depreciated, net	**2,320,316,415**	2,271,633,763
Capital assets - right to use lease assets, net	**4,169,237**	2,300,136
Capital assets - right to use subscriptions, net	**2,137,790**	2,585,903
Total noncurrent assets	**2,773,594,561**	2,735,153,041
Total assets	**3,349,321,718**	3,267,865,608
Deferred outflows of resources:		
Deferred outflows from pension	**64,462,025**	30,501,898
Deferred outflows from OPEB	**16,732,051**	6,989,939
Deferred charges on debt refundings	**9,709,797**	10,417,662
Total deferred outflow of resources	**90,903,873**	47,909,499

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION
JUNE 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Liabilities:		
Current liabilities:		
Accounts payable	$ **49,087,211**	$ 44,768,072
Accrued salaries and benefits	**4,298,684**	3,878,125
Customer deposits	**12,831,349**	12,614,601
Compensated absences	**10,885,675**	10,845,410
Lease liability	**653,235**	528,509
Subscription Liability	**732,324**	860,870
Accrued interest payable	**15,900,948**	16,334,194
Other payables	**6,470,058**	8,071,039
Advances for construction, notes and assessments	**4,980,456**	4,919,423
Revenue bonds	**21,948,859**	21,916,924
General obligation bonds	**1,270,748**	4,030,748
Advances from developers	**2,576,030**	1,899,261
Other accrued expenses payable	**1,868,702**	2,417,812
Total Current Liabilities	**133,504,279**	133,084,988
Noncurrent liabilities:		
Compensated absences	**4,481,384**	3,199,958
Lease liability	**3,605,408**	1,797,467
Subscription Liability	**1,024,780**	1,359,745
Advances for construction, notes and assessments	**107,120,297**	114,951,425
Revenue bonds	**860,105,188**	882,054,046
General obligation bonds	**21,633,516**	22,904,265
Advances from developers	**36,703,769**	32,576,110
Other accrued expenses payable	**2,373,158**	2,101,733
Net pension liability	**180,203,232**	104,592,976
Total Noncurrent liabilities	**1,217,250,732**	1,165,537,725
Total liabilities	**1,350,755,011**	1,298,622,713
Deferred inflows of resources:		
Deferred inflows from pension	**-**	39,801,436
Deferred inflows from OPEB	**17,496,310**	33,335,104
Deferred inflows from grant	**1,176,829**	-
Deferred inflows from leases	**6,494,881**	5,809,840
Total deferred inflows of resources	**25,168,020**	78,946,380
Net position:		
Net investment in capital assets	**1,527,405,900**	1,429,834,829
Restricted for debt service covenants	**109,069,049**	113,075,796
Restricted for pension benefit trust	**30,767,996**	13,390,147
Restricted for construction	**51,525,898**	76,942,299
Unrestricted	**345,533,717**	304,962,943
Total Net Position	$ **2,064,302,560**	$ 1,938,206,014

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Operating revenues:		
Water sales - domestic	**$ 155,948,292**	$ 166,724,780
Water sales - agriculture	**5,101,024**	5,617,503
Sewer service charge	**121,956,150**	116,893,529
Recycled water sales	**9,087,994**	9,610,661
Total operating revenues	**292,093,460**	298,846,473
Operating expenses:		
Purchased water	**63,764,342**	78,171,078
Water operations	**64,868,489**	58,469,496
Sewer operations	**62,475,345**	55,659,676
Recycled water operations	**9,215,225**	8,265,324
General and administrative	**47,082,764**	25,129,885
Depreciation and amortization	**114,015,134**	111,969,576
Total operating expenses	**361,421,299**	337,665,035
Operating income (loss)	**(69,327,839)**	(38,818,562)
Nonoperating revenues (expenses):		
Property taxes - general levy	**54,990,204**	46,946,017
Property taxes - general bond levy	**3,298,427**	6,474,372
Availability infrastructure assessments	**5,682,484**	5,813,807
Water and sewer connection fees	**76,662,441**	73,951,090
Interest revenue	**9,692,725**	4,395,689
Interest revenue - pension benefit trust	**651,723**	57,679
Interest revenue - leases	**120,780**	85,606
Net increase (decrease) in fair value of investments	**(3,441,707)**	(30,575,943)
Net increase (decrease) in fair value of pension benefit trust investments	**123,250**	(1,570,291)
Grant revenues	**364,314**	5,641,424
Lease revenue	**617,095**	524,018
Other revenues	**14,104,166**	12,081,834
Gain (loss) on disposal of capital assets	**(531,114)**	(2,260,347)
Interest expense	**(28,047,333)**	(26,983,039)
General obligation fund service fees	**-**	(185,612)
Research and development costs	**(7,170,124)**	(6,149,073)
Other expenses	**(3,280,733)**	(8,736,921)
Total nonoperating revenues (expenses)	**123,836,598**	79,510,310
Income (loss) before contributions	**54,508,759**	40,691,748
Capital contributions:		
Developer contributions	**67,563,064**	54,817,836
Capital grants	**1,722,080**	13,217,391
Other capital contributions	**2,302,643**	2,126,967
Total capital contributions	**71,587,787**	70,162,194
Change in net position	**126,096,546**	110,853,942
Total net position - beginning of year, as restated (Note 1)	**1,938,206,014**	1,827,352,072
Adjustment (Note16)	**-**	
Total net position - end of year	**$ 2,064,302,560**	$ 1,938,206,014

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Cash flows from operating activities:		
Receipts from customers	$ 297,873,106	$ 310,751,146
Receipts from availability (standby) assessments	5,786,715	5,881,917
Other receipts	14,104,166	12,081,834
Payments for water	(65,605,624)	(78,390,368)
Payments to employee for services	(103,951,213)	(91,061,501)
Payments to suppliers for goods and services	(75,438,974)	(58,912,212)
Payments for energy and utilities	(22,514,650)	(24,554,924)
Net cash (used for) provided by operating activities	50,253,526	75,795,892
Cash flows from noncapital financing activities:		
Proceeds from property taxes, general levy	54,962,229	47,441,896
Proceeds from operating grants	1,421,229	5,763,884
Net cash (used for) provided by noncapital	56,383,458	53,205,780
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets	(116,339,753)	(106,078,119)
Proceeds from sale of capital assets	4,195,906	8,348,470
Proceeds from long-term debt issuance	-	7,990,414
Lease payments	(147,751)	(145,525)
Subscription payments	(1,051,513)	(1,210,882)
Repayment of notes, bonds and revenue bonds	(26,340,095)	(48,811,137)
Interest paid	(35,150,386)	(28,553,797)
Proceeds from property taxes, GO bond levy	3,343,127	28,862,374
Proceeds from water and sewer connection fees	76,662,441	73,951,090
Proceeds from developer advances	17,983,036	31,388,007
Repayments of developer advances	(13,178,608)	(32,842,284)
Proceeds from capital grants	7,992,901	20,178,146
Net cash (used for) capital and related financing activities	(82,030,695)	(46,923,243)
Cash flows from investing activities:		
Purchases of investments	(83,974,409)	(212,019,330)
Proceeds from sales and maturities of investments	63,950,000	54,620,000
Proceeds from earnings on investments	9,711,589	3,960,547
Net cash (used for) provided by investing activities	(10,312,820)	(153,438,783)
Total (decrease) increase in cash and cash equivalents	14,293,469	(71,360,354)
Cash and cash equivalents at beginning of year	144,759,481	216,119,835
Cash and cash equivalents at end of year	$ 159,052,950	$ 144,759,481

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Reconciliation of loss from operations to net cash (used for) provided by operating activities:		
Loss from operations	$ (69,327,839)	$ (38,818,562)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	114,015,134	111,969,576
Other revenues	9,335,793	3,009,647
(Increase) decrease in utility accounts receivable	1,190,510	1,362,214
(Increase) decrease in other receivables	(4,747,843)	8,094,237
(Increase) decrease in prepaid expenses	(586,969)	958,681
(Increase) decrease in materials and supplies inventory	(328,130)	(157,451)
(Increase) decrease in water inventory	(1,710,994)	(79,717)
(Increase) decrease in notes receivable	120,665	182,117
Increase (decrease) in accounts payable	4,319,139	5,189,418
Increase (decrease) in accrued expenses	(1,458,107)	213,476
Increase (decrease) in customer deposits	216,748	114,759
Increase (decrease) in compensated absences	1,321,691	(360,465)
Increase (decrease) in net other postemployment benefits obligation	21,625,941	(42,586,940)
Increase (decrease) in net pension liability	75,610,256	(48,471,227)
Increase (decrease) in deferred inflows	(55,640,230)	61,981,642
(Increase) decrease in deferred outflows	(43,702,239)	13,194,487
Net cash (used for) provided by operating activities	$ 50,253,526	$ 75,795,892
Reconciliation of cash and cash equivalent to statement of net position:		
Current cash and investments	$ 497,306,245	$ 455,197,500
Restricted cash and investments:		
Debt service/covenants	129,448,981	132,955,095
Pension benefit trust cash and investments	30,767,996	13,390,147
Construction	56,171,816	81,152,875
Total cash and investments	713,695,038	682,695,617
Less investments	554,642,088	537,936,136
Cash and cash equivalents	$ 159,052,950	$ 144,759,481
Noncash capital, financing, and investing activities:		
Capital asset contributions from developers	$ 69,865,707	$ 56,944,803
Subscription, GASB 96 implementation	-	(837,464)
Net increase (decrease) in fair value of investments	(3,441,707)	(30,575,943)
Amortization of bond premiums, discounts, and loss on debt refundings	(6,669,807)	(1,672,916)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	$ 6,458,676	$ 80,658,884
Receivables:		
Interest and dividends	135,885	-
Special assessments for other governments	-	285,953
Investments at fair value:		
Mutual funds - equity	80,821,579	-
Mutual funds - fixed income	42,136,656	-
Total assets	129,552,796	80,944,837
Liabilities:		
Payable to Eastern Municipal Water District	6,093,494	-
Total liabilities	6,093,494	-
Net position:		
Restricted for:		
Post employment benefits other than pension	123,459,302	-
Debt obligations	-	80,944,837
Total net position	$ 123,459,302	$ 80,944,837

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
Additions:		
Contributions	$ 1,750,999	$ -
Net increase in fair value of investments	5,571,976	-
Interest, dividends, and other	4,703,380	2,317,223
Special assessment collections for other entities	-	23,759,104
Debt proceeds collected on behalf of other entities	-	22,602,221
Total additions	12,026,355	48,678,548
Deductions:		
Benefits paid to participants	6,093,494	-
Administrative expenses	-	1,866,443
Debt service payments to bondholders	-	10,077,167
Interest expense	-	10,633,985
Payments to other entities	-	21,223,570
Costs of issuance	-	814,504
Trustee fees	15,524	82,826
Total deductions	6,109,018	44,698,495
Net increase (decrease) in fiduciary net position	5,917,337	3,980,053
Total net position - beginning of year	117,541,965	76,964,784
Total net position - end of year	$ 123,459,302	$ 80,944,837

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Eastern Municipal Water District (District) was formed in October 1950, under the California Water Code for the primary purpose of importing Colorado River Water to augment local water supplies. In 1962, the District began providing wastewater treatment services to customers within its service area and, consequently, has become actively involved in the production of recycled water (i.e., wastewater which has been treated to a level acceptable for nondomestic purposes) and has been recognized as an industry leader in the management of ground water basins and the related beneficial uses of recycled water. The District's water and wastewater customers include retail customers (e.g., residential, commercial, and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water Districts) located within its service area.

The District formed the Eastern Municipal Water District Facilities Corporation (Facilities Corporation) on April 10, 1979, under the Non-Profit Public Benefit Corporation Law, State of California, for the purpose of rendering financing assistance to the District by acquiring, constructing and operating or providing for the operation of water and wastewater facilities, including water and wastewater transmission pipelines, treatment plants and related facilities for the use, benefit and enjoyment of the public within the District's boundaries. The Facilities Corporation is a blended component unit of the District.

The District formed the Eastern Municipal Water District Financing Authority (Financing Authority) on April 1, 2015, under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to enable the District to finance, refinance, or provide interim financing for the acquisition, construction, and operation of water supplies, water and wastewater infrastructure, water rights, public facilities, other public capital improvements, or other projects whenever there are significant public benefits. The Financing Authority is a blended component unit of the District.

The District's reporting entity includes the General District, the related Improvement Districts located within the service area of the General District, the Facilities Corporation, and the Financing Authority. Although the District, the Facilities Corporation, and the Financing Authority are legally separate entities, the District's Board of Directors also serve as the Facilities Corporation and the Financing Authority's Board of Directors, and therefore, the accompanying financial statements include the accounts and records of the Facilities Corporation and the Financing Authority as required by generally accepted accounting principles using the blending method. There are no separate financial statements for the Facilities Corporation and the Financing Authority, they merely serve as the legal entity used by the District to issue long-term debt. Accordingly, the Facilities Corporation and the Financing Authority have no separate financial activity to be reported as separate funds of the District.

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Basis of Accounting and Measurement Focus

The District accounts for its operations on a fund basis. In governmental accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Because the activities of the District receive significant support from fees and charges, it uses a proprietary (enterprise) fund. Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

The District uses the economic resources measurement focus and the accrual basis of accounting. Measurement focus determines what is measured in a set of financial statements and under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District also reports fiduciary fund activities. The OPEB Trust Fund is used to account for contributions and distributions to the retiree medical plan and other postemployment benefit plans. The Custodial Funds account for the Community Facilities Districts (CFDs) and Assessment Districts (ADs) activity. The fiduciary fund reporting focuses on economic resources and is accounted for under the accrual basis of accounting.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The District implemented the Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements (SBITAs). A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software. This Statement requires the recognition of a subscription asset and a subscription liability at the start of the subscription term (when the subscription asset is placed in service). The requirements of this Statement are effective for the financial statements beginning after June 15, 2022. As a result of the implementation, the prior fiscal year financial statement was restated for comparison purposes and the beginning net position at July 1, 2021 was retroactively restated from $1,828,189,536 to $1,827,352,072.

Cash and Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Classification of Revenues and Expenses

An enterprise fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for domestic, agricultural, and recycled water sales, and sewer service charges. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets and right to use leased assets.

Non-operating revenues and expenses are those not directly associated with the normal business of supplying water and wastewater treatment services. Non-operating revenues mainly consist of property taxes, availability (infrastructure availability assessments), investment income, connection fees and miscellaneous income. Capital contributions consist of facilities built by developers and turned over to the District to operate and maintain and federal, state, and private grants used to fund capital assets. Non-operating expenses mainly consist of debt service interest and debt-related fees.

Capital Assets, Right To Use Leased Assets, and Right To Use Subscription Assets

Both purchased capital assets and self-constructed capital assets are recorded at acquisition cost. The cost of self-constructed assets includes direct labor, materials, contracted services and overhead. Contributed capital assets are recorded at acquisition value at the time they are received. These assets consist primarily of distribution lines and connections constructed and donated by developers. The Districts capitalization threshold starts at $5,000 with a useful life 3 years or more, for all purchased or constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. The District also reports the value of intangible right-to-use assets according to the provisions of GASB Statement No. 87, Leases, and GASB Statement No. 96, Subscription Based Technology Arrangements. These assets are amortized each year according to the terms of the contract.

Capital assets, right to use leased assets, and right to use subscription assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Transmission and Distribution	3-100
Pumping Plants	3-67
Source of Supply	3-40
Reclamation Facilities	3-50
General Plant	3-67
Right to Use Leased Assets	1-20
Right to Use IT Subscriptions	1-8

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for utility accounts receivables that are 90 or more days delinquent at year-end. This allowance is netted against the receivable on the Statement of Net Position and amounts to $1,201,147 on June 30, 2023.

Inventories

Material and supplies inventory consists primarily of materials used in the construction and maintenance of utility plants and is valued at weighted average cost. Water inventory consists of native groundwater and purchased water holdings in the Hemet-San Jacinto Basin. It is valued based upon purchase cost and weighted average cost of consumption.

Restricted Assets

Amounts shown as restricted assets have been restricted by bond indenture, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets. Restricted assets include water and sewer connection fees. The resolution establishing the authority for water and sewer connection fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and sewer connection fees are exchange transactions (non-operating revenues). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid. These fees do not represent capital contributions (non-exchange transactions).

Generally, restricted resources are not commingled with unrestricted resources in financing projects and activities and are used for specific types of projects for which such funding is designated. When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources, depending upon the type of project or activity, as determined by Board action.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed daily on thirty-day cycles. Wastewater customers are also billed and included with the water billing. In certain areas of the District, the wastewater billing is handled by another water utility agency, however, revenues are accrued by the District each month. Collections are forwarded monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through the fiscal year-end and are included in accounts receivable. Unbilled accounts receivable amounted to $13,554,052 at June 30, 2023

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Property Taxes

Property tax in California is levied in accordance with Article XIIIA of the State Constitution at one percent of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First Installment - November 1 Second Installment - February 1
Delinquent date:	First installment - December 10 Second installment - April 10

Debt Discounts, Premiums, and Deferred Amounts on Refunding

General obligation bond and revenue bond premiums and discounts are deferred and amortized over the term of the bonds. The discounts and premiums are presented as an addition (or reduction) to the face amount of the debt. Furthermore, in accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, deferred charges on refunding are presented as deferred outflows of resources on the Statement of Net Position.

Compensated Absences

The District has a policy whereby an employee can accumulate unused paid time off up to a maximum of 675 hours. Hours more than the maximum are paid out to employees each November. All employees who separate from the District are entitled to receive 100 percent of their accumulated unused paid time off. The District provides for these future costs by accruing 100 percent of all earned and unused paid time off.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	June 30, 2021 to June 30, 2022

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the District's Section 115 Trust and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	June 30, 2021 to June 30, 2022

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that apply to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has the following items that qualify for reporting in this category: Employer contributions subsequent to measurement date for pension and OPEB, and deferred actuarial amounts related to pension and deferred refunding charges.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that apply to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category: Deferred actuarial amounts related to pension and OPEB, deferred inflows from grant, and deferred inflows from leases. This is reported on the Statement of Net Position.

Notes to Financial Statements
June 30, 2023

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The fair value of the District's investments is categorized within Level 2 of the fair value hierarchy using the institutional bond quotes with evaluations based on various market and industry inputs.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles, and therefore include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments

Cash and investments are classified in the accompanying statements as follows:

Statement of Net Position:	
District Cash and Investments	$ 497,306,245
Restricted assets:	
Debt service covenants	129,448,981
Pension Benefits Trust Investment	30,767,996
Construction	56,171,816
Total	713,695,038
Statement of Fiduciary Net Position:	
Cash and investments - OPEB Trust	129,416,911
Cash and investments - Custodial Funds	80,658,884
Total	210,075,795
Total cash and investments	$ 923,770,833

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Cash and investments on the Statement of Net Position consisted of the following:

Current assets	$ 497,306,245
Restricted assets:	
Debt service covenants	129,448,981
Construction	56,171,816
Totals	$ 682,927,042

Cash and investments consisted of the following:

District Cash and Investments:	
Cash on hand	$ 6,500
Deposits with financial institutions	69,992,452
Investments	612,928,090
Total District cash and investments	$ 682,927,042
Pension Benefits Trust:	
Equity - mutual funds	$ 21,918,255
Fixed income -mutual funds	8,775,662
Money Market - mutual funds	74,079
Total Pension Benenefits Trust cash and investments	$ 30,767,996
Fiduciary Fund - OPEB Trust:	
Equity - mutual funds	$ 80,821,579
Fixed income -mutual funds	42,136,656
Money market - mutual funds	6,458,676
Total OPEB Trust cash and investments	$ 129,416,911
Fiduciary Fund - Custodial Funds:	
Deposits with financial institutions	$ 80,658,884
Total Custodial Funds cash and investments	$ 80,658,884

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in Single Issuer*
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years	None	None
Bankers' Acceptances	Yes	180 Days	40%	30%
Negotiable Certificates of Deposit	Yes	1 Year	30%	25%
Commercial Paper	Yes	270 Days	25%	5%
Repurchase Agreements	No[1]	1 Year	None	None
Reverse Repurchase Agreements	No	92 Days	20%	None
Medium-Term Notes	Yes	5 Years	30%	5%
Mortgage Pass-Through Securities	No	5 Years	None	None
Supranationals	Yes	5 Years	30%	10%
Local Agency Investment Fund (LAIF)	Yes	None	None	$75,000,000
CA Local Agency Securities	Yes	5 Years[2]	25%[3]	25%[3]
Mutual Funds	Yes	N/A	15%	5%
Money Market Mutual Funds	Yes	N/A	15%	10%
County Pooled Investment Funds	Yes	N/A	15%	15%
Joint Powers Authority	Yes	N/A	15%	15%
Investment Contracts	Yes	None	None	None

* Based upon State law or investment policy requirements, whichever is more restrictive.

[1] Only permitted for use in the District's sweep account.

[2] Maturities may exceed 5 years with specific required credit ratings.

[3] Investments in the District's own tendered securities may exceed percentages on a temporary basis.

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
State obligations or political subdivision of states	None	None	None
Bankers' acceptances	1 Year	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Guaranteed investment contracts	None	None	None
Repurchase agreements	30 Days	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the table below, which shows the distribution of the District's investment by remaining maturity.

		Months		
Investment Type	**Total**	**12 or Less**	**13 to 24**	**25 to 60**
U.S. Agency Securities:				
Federal Farm Credit Bank (FFCB)	$ 97,196,957	$ 19,535,800	$ 13,854,350	$ 63,806,807
Federal Home Loan Bank (FHLB)	166,663,500	33,731,900	37,263,250	95,668,350
Federal Home Loan Mortgage Corp. (FHLMC)	24,012,972	14,528,000	-	9,484,972
Federal National Mortgage Assn. (FNMA)	31,703,780	-	27,183,230	4,520,550
Corporate - Fixed	23,423,300	-	4,875,450	18,547,850
Money Market Mutual Funds	33,239,798	33,239,798	-	-
California Agency Securities	105,287,533	34,533,597	33,166,625	37,587,311
LAIF	11,199,029	11,199,029	-	-
Investment Trust of California (CalTRUST)	44,615,171	44,615,171	-	-
U.S. Treasury Obligations	75,586,050	34,265,300	18,778,900	22,541,850
Total Investments	$ 612,928,090	$ 225,648,595	$ 135,121,805	$ 252,157,690

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below shows the minimum rating required by the California Government Code, the District investment policy, or debt agreements and the actual Standard and Poor's Rating Services credit rating as of year-end for each investment type.

		Minimum	Rating at June 30, 2023			
Category	**Total**	**Legal Rating**	**AAA**	**AA**	**A**	**Not Rated**
U.S. Agency Securities						
FFCB	$ 97,196,957	N/A	$ -	$ 97,196,957	$ -	$ -
FHLB	166,663,500	N/A	-	166,663,500	-	-
FHLMC	31,703,780	N/A	-	31,703,780	-	-
FNMA	24,012,972	N/A	-	24,012,972	-	-
Corporate - Fixed	23,423,300	A	-	23,423,300	-	-
Money Market Mutual Funds	33,239,798	AAA*	33,239,798	-	-	-
California Agency Securities	105,287,533	N/A	7,871,424	96,419,919	996,190	-
LAIF	11,199,029	N/A	-	-	-	11,199,029
CalTRUST	44,615,171	N/A	-	44,615,171	-	-
U.S. Treasury Obligations	75,586,050	N/A	-	75,586,050	-	-
Total Investments	$ 612,928,090		$ 41,111,222	$ 559,621,649	$ 996,190	$ 11,199,029

- Money market mutual funds are rated Aaa-mf by Moody's at June 30, 2023. This rating meets minimum rating requirements.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer other than U.S. Treasury securities, mutual funds and external investment pools that represent five percent of more of the District's total investments are show below, as of June 30, 2023:

Issuer	**Investment Type**	**Reported Amount**
Federal Home Loan Bank	U.S. Agency	$ 166,663,500
Federal Farm Credit Bank	U.S. Agency	97,196,957

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2023, all the District's deposits with financial institutions are collateralized by an interest in an undivided collateral pool as required by law. To protect investments against custodial credit risk caused by the collapse of individual securities dealers, all negotiable securities owned by the District are settled with delivery versus payment procedures and held in safekeeping by the District's custodial bank acting as agent for the District under the terms of a custody agreement.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at fair value. Additional information about the State of California's LAIF can be found on their website – www.treasurer.ca.gov/pmia.laif.

Investment in Investment Trust of California (CalTRUST)

The District is a voluntary participant in CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair value, securities are normally priced daily on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined based on the fair value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2023:

		Fair Value Hierarchy		
Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments reported at Fair Value				
U.S. Agency				
FFCB	$ 97,196,957	$ -	$ 97,196,957	$ -
FHLB	166,663,500	-	166,663,500	-
FHLMC	24,012,972	-	24,012,972	-
FNMA	31,703,780	-	31,703,780	-
Corporate - Fixed	23,423,300	-	23,423,300	-
California Agency Securities	105,287,533	-	105,287,533	-
US Treasury	75,586,050	75,586,050	-	-
Total Investments at Fair Value	$ 523,874,092	$ 75,586,050	$ 448,288,042	$ -

Pension Trust Fund

Investments Authorized by the Trust Agreement

Investments of the Pension Benefit Trust Fund are held by the Trustee and governed by the provisions of the trust agreement, rather than the general provisions of the California Government Code. The table below identifies the investment classes that are authorized for investments held by the trustee.

Authorized Investment Type / Asset Class	Portfolio % Range	Portfolio % Target
Growth Assets		
Domestic Equity	22-66%	46%
International Equity	0-44%	24%
Other	0-15%	0%
Income Assets		
Fixed Income	10-50%	30%
Other	0-15%	0%
Real Return Assets	0-15%	0%
Cash Equivalents	0-20%	0%

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Concentration of Credit Risk

The Pension Benefit Trust Fund's investment policy states no more than the greater of 5% or weighting in the relevant index of the total equity portfolio valued at market may be invested in the common equity of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at the time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investments grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

Other Assets may consist of non-traditional asset classes. The total allocation to this category may not exceed 15% of the overall portfolio.

OPEB Trust Fund

Investments Authorized by the Trust Agreement

Investments of the OPEB Trust Fund are held by the Trustee and governed by the provisions of the trust agreement, rather than the general provisions of the California Government Code. The table below identifies the investment classes that are authorized for investments held by the trustee.

Authorized Investment Type / Asset Class	Portfolio % Range	Portfolio % Target
Growth Assets		
Domestic Equity	22-62%	42%
International Equity	0-43%	23%
Other	0-15%	0%
Income Assets		
Fixed Income	10-55%	35%
Other	0-15%	0%
Real Return Assets	0-15%	0%
Cash Equivalents	0-20%	0%

Notes to Financial Statements
June 30, 2023

NOTE 2 – Cash and Investments (cont'd)

Concentration of Credit Risk

The OPEB Trust Fund's investment policy states no more than the greater of 5% or weighting in the relevant index of the total equity portfolio valued at market may be invested in the common equity of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at the time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investments grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

Other Assets may consist of non-traditional asset classes. The total allocation to this category may not exceed 15% of the overall portfolio.

Notes to Financial Statements
June 30, 2023

NOTE 3 – Capital Assets and Right to Use Assets

The capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Beginning Balance June 30, 2022	Additions	Reductions	Transfers	Ending Balance June 30, 2023
Capital assets, not being depreciated					
Land	$ 74,084,100	$ -	$ -	$ 878,340	$ 74,962,440
Tunnel Water Seepage Agreement	1,750,900	-	-	-	1,750,900
Construction in progress	117,794,986	126,802,813	(3,955,144)	(103,208,523)	137,434,132
Total capital assets not being depreciated	193,629,986	126,802,813	(3,955,144)	(102,330,183)	214,147,472
Capital assets, being depreciated					
Water plant, lines and equipment	1,593,423,526	31,497,621	(3,477,009)	94,194,445	1,715,638,583
Water capacity rights	32,430,476	-	-	-	32,430,476
Sewer plant, lines and equipment	2,184,263,213	26,424,467	(2,494,632)	7,561,655	2,215,754,703
Equipment and general facilities	94,068,947	1,480,559	(264,865)	574,083	95,858,724
Total capital assets being depreciated	3,904,186,162	59,402,647	(6,236,506)	102,330,183	4,059,682,486
Less accumulated depreciation for					
Water plant, lines and equipment	709,207,160	56,908,976	(3,118,449)	-	762,997,687
Water capacity rights	13,985,743	781,633	-	-	14,767,376
Sewer plant, lines and equipment	842,898,695	50,997,450	(2,087,610)	-	891,808,535
Equipment and general facilities	66,460,801	3,590,243	(258,571)	-	69,792,473
Total accumulated depreciation	1,632,552,399	112,278,302	(5,464,630)	-	1,739,366,071
Total capital assets being depreciated, net	2,271,633,763	(52,875,655)	(771,876)	102,330,183	2,320,316,415
Right to use lease assets, being amortized					
Right to use-leased land	558,878	1,931,543	(102,454)	-	2,387,967
Right to use-leased equipment	1,446,428	663,785	(195,998)	-	1,914,215
Right to use-leased water capacity rights	1,037,340	-	-	-	1,037,340
Total right to use lease assets	3,042,646	2,595,328	(298,452)	-	5,339,522
Less lease accumulated amortization					
Right to use-leased land	127,321	134,892	(76,944)	-	185,269
Right to use-leased equipment	511,455	358,357	(195,998)	-	673,814
Right to use-leased water capacity rights	103,734	207,468	-	-	311,202
Total right to use lease accumulated amortization	742,510	700,717	(272,942)	-	1,170,285
Total right to use lease assets, net	2,300,136	1,894,611	(25,510)	-	4,169,237
Right to use IT Subscription assets, being amortized					
Right to use-IT Subscriptions	3,431,497	588,002	-	-	4,019,499
Less IT Subscription accumulated amortization	845,594	1,036,115	-	-	1,881,709
Total right to use IT Subscriptions assets, net	2,585,903	(448,113)	-	-	2,137,790
Capital assets and right to use assets, net	$ 2,470,149,788	$ 75,373,656	$ (4,752,530)	$ -	$ 2,540,770,914

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2023 is as follows:

	Ending Balance June 30, 2022	Additions	Reductions	Ending Balance June 30, 2023	Due Within One Year	Long Term
Long-Term Debt						
Advances for Construction, Notes and Assessments:						
CA DWR Prop 204 (HWFP)	$ 11,744,106	$ -	$ (1,848,456)	$ 9,895,650	$ 940,011	$ 8,955,639
SWRCB SRF loan (APAD)	24,605,232	-	(2,190,039)	22,415,193	2,199,282	20,215,911
SWRCB SRF loan (SCATT)	20,100,239	-	(1,921,223)	18,179,016	-	18,179,016
SWRCB SRF loan (N. Trumble Pond)	6,356,661	-	(225,069)	6,131,592	227,319	5,904,273
SWRCB SRF loan (TVRWRF)	57,064,610	-	(1,585,308)	55,479,302	1,613,844	53,865,458
Total notes payable	119,870,848	-	(7,770,095)	112,100,753	4,980,456	107,120,297
Revenue Bonds:						
2015B	74,430,000	-	-	74,430,000	-	74,430,000
2016A Refunding	175,405,000	-	(8,880,000)	166,525,000	9,010,000	157,515,000
2016B Refunding	114,725,000	-	-	114,725,000	-	114,725,000
2017C Refunding	11,960,000	-	(5,830,000)	6,130,000	6,130,000	-
2017D	102,500,000	-	-	102,500,000	-	102,500,000
2018A Refunding	94,455,000	-	-	94,455,000	-	94,455,000
2020A Refunding	122,145,000	-	-	122,145,000	-	122,145,000
2021A Refunding	50,590,000	-	(135,000)	50,455,000	250,000	50,205,000
2021B Refunding	48,040,000	-	-	48,040,000	-	48,040,000
Unamortized premium	109,720,970	-	(7,071,923)	102,649,047	6,558,859	96,090,188
Total revenue bonds	903,970,970	-	(21,916,923)	882,054,047	21,948,859	860,105,188
General Obligation Bonds:						
2021 Refunding	22,355,000	-	(3,725,000)	18,630,000	965,000	17,665,000
Net unamort prem/disc	4,580,013	-	(305,749)	4,274,264	305,748	3,968,516
Total GO bonds	26,935,013	-	(4,030,749)	22,904,264	1,270,748	21,633,516
Sub-total long term debt	1,050,776,831	-	(33,717,767)	1,017,059,064	28,200,063	988,859,001
Other Noncurrent Liabilities						
Compensated absences	14,045,368	9,878,186	(8,556,495)	15,367,059	10,885,675	4,481,384
Total long-term liabilities	$ 1,064,822,199	$ 9,878,186	$ (42,274,262)	$ 1,032,426,123	$ 39,085,738	$ 993,340,385

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

The following schedule summarizes the major terms of outstanding long-term debt:

	Date of Issue	Original Issue	Revenue Sources	Lien	Final Maturity Date	Interest Rates
Advances for construction, notes and assessments:						
CA DWR Prop 204 (HWFP)	03/03/05	$ 42,098,388	(a)	Subordinate	07/01/28	Imputed -2.273%
Hemet Water Filtration Plant Construction Project						
SWRCB SRF loan (APAD)	09/15/09	43,908,096	(a)	Subordinate	03/16/33	0.422%
Moreno Valley RWRF Acid Phase Anaerobic Digestion Project						
SWRCB SRF loan (SCATT)	06/23/09	38,302,852	(a)	Subordinate	07/05/32	1.0%
Moreno Valley RWRF Secondary Clarifier & Tertiary Treatment Expansion Project						
SWRCB SRF loan (N. Trumble)	04/26/18	7,455,594	(a)	Subordinate	06/30/47	1.0%
Recycled Water Pond Optimization Project - N. Trumble & Perris Valley RWRF						
SWRCB SRF loan (TVRWRF)	12/21/20	59,945,454	(a)	Subordinate	12/21/49	1.8%
Recycled Water Optimization Program						
Revenue Bonds:						
2015B	06/18/15	74,430,000	(a)	Subordinate	07/01/46	4% to 5%
2016A Refunding	04/05/16	209,230,000	(a)	Subordinate	07/01/45	2% to 5%
2016B Refunding	09/14/16	124,925,000	(a)	Subordinate	07/01/35	2% to 5%
2017C Refunding	05/02/17	17,515,000	(a)	Subordinate	07/01/23	5.0%
2017D	05/18/17	102,500,000	(a)	Subordinate	07/01/47	5.0% to 5.25%
2018A Refunding	09/26/18	94,455,000	(a)	Subordinate	07/01/46	Variable
2020A Refunding	05/27/20	122,145,000	(a)	Subordinate	07/01/38	4% to 5%
2021A Refunding	06/10/21	50,590,000	(a)	Subordinate	07/01/30	3% to 4%
2021B Refunding	06/10/21	48,040,000	(a)	Subordinate	07/01/46	Variable
General Obligation Bonds:						
2021A Refunding	12/17/21	22,355,000	(b)	N/A	09/01/39	4% to 5%

(a) Net water and sewer revenues

(b) Ad valorem taxes levied and collected on eighteen special improvement districts within the District's service area

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

Future principal and interest requirements on all long-term debt are as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 21,335,456	$ 32,816,576	$ 54,152,032
2025	26,368,672	32,390,744	58,759,416
2026	27,137,969	31,342,897	58,480,866
2027	28,079,054	30,392,038	58,471,092
2028	29,061,962	29,642,020	58,703,982
2029-2033	162,615,428	128,446,406	291,061,834
2034-2038	181,264,563	91,000,542	272,265,105
2039-2043	206,857,767	54,148,341	261,006,108
2044-2048	222,327,702	21,736,464	244,064,166
2049-2050	5,087,180	137,762	5,224,942
TOTAL	910,135,753	452,053,790	1,362,189,543
Add: Unamortized premium	106,923,311	-	106,923,311
Total	$ 1,017,059,064	$ 452,053,790	$ 1,469,112,854

Advances for Construction, Notes and Assessments

Advances for construction, notes and assessments include project financing agreements executed with the State of California Department of Water Resources and the State of California Water Resources Control Board between March 2005 and December 2020. These agreements, detailed in the summary of major terms of outstanding long-term debt, provide financing for various projects and construction costs.

Future principal payments and interest payments on these advances for construction, notes and assessments are as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 4,980,456	$ 1,266,984	$ 6,247,440
2025	7,933,672	1,488,452	9,422,124
2026	8,037,969	1,384,155	9,422,124
2027	8,144,054	1,278,072	9,422,126
2028	8,251,962	1,460,204	9,712,166
2029-2033	33,030,428	4,318,017	37,348,445
2034-2038	11,279,563	3,225,972	14,505,535
20392043	12,277,767	2,227,768	14,505,535
2044-2048	13,077,702	1,139,195	14,216,897
2049-2050	5,087,180	137,762	5,224,942
Total	$ 112,100,753	$ 17,926,581	$ 130,027,334

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

Revenue Bonds

The outstanding revenue bonds were issued to provide financing for various projects and facility improvements and to refund certain prior revenue Bonds issued for the purpose of decreasing related debt service costs. Outstanding revenue Bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on all revenue Bonds as of June 30, 2023 are as follows:

Year ending June 30	Principal	Interest	Total
2024	$ 15,390,000	$ 34,289,117	$ 49,679,117
2025	17,425,000	33,691,192	51,116,192
2026	18,170,000	32,795,042	50,965,042
2027	18,950,000	31,997,041	50,947,041
2028	19,815,000	31,113,181	50,928,181
2029-2033	123,805,000	139,587,469	263,392,469
2034-2038	164,010,000	104,625,320	268,635,320
2039-2043	192,590,000	67,224,032	259,814,032
2044-2048	209,250,000	25,441,625	234,691,625
	779,405,000	500,764,019	1,280,169,019
Add: Unamoritized premium	102,649,047	-	102,649,047
Total	$ 882,054,047	$ 500,764,019	$ 1,382,818,066

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

General Obligation (GO) Bonds

The outstanding general obligation bonds were issued by the Financing Authority to refund prior general obligation bonds issued to provide financing for certain water and/or sewer facilities for improvement districts of Eastern Municipal Water District. The major terms of the outstanding general obligation bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on total general obligation bonds are as follows:

Year ending June 30	Principal	Interest	Total
2024	$ 965,000	$ 827,725	$ 1,792,725
2025	1,010,000	778,350	1,788,350
2056	930,000	729,850	1,659,850
2027	985,000	681,975	1,666,975
2028	995,000	632,475	1,627,475
2029-2033	5,780,000	2,341,750	8,121,750
2034-2038	5,975,000	941,500	6,916,500
2039-2040	1,990,000	80,400	2,070,400
Sub-total	18,630,000	7,014,025	25,644,025
Add: Unamortized premium	4,274,264	-	4,580,013
Total	$ 22,904,264	$ 7,014,025	$ 30,224,038

The general obligation bonds are callable prior to maturity, subject to certain call premiums. The liability for the general district bonds and improvements within the respective special districts, and the funds for retirement thereof, are derived from a bond redemption levy based on the assessed valuation within the individual improvement districts. On June 30, 2023, general obligation bonds authorized but not issued total $547,650.000.

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

Other Accrued Expenses Payable

Included in other accrued expenses payable are software licenses with payments extending beyond one year. The license agreements have maturities from two to five years:

Future payments on the agreements are as follows:

Year Ending June 30	
2024	$ 602,804
2025	401,600
Total	$ 1,004,404

Debt Service Reserve Funds

The District is required to maintain Debt Service Reserve Funds to be used for the payment of principal and interest on State Revolving Fund loans. The current required reserve amounts and reserve balances on June 30, 2023 for the outstanding debt are as follows:

Description	Required	Actual	Excess (Deficiency)
Hemet WFP SRF - $4.21M[1]	$ 2,104,920	$ 2,234,245	$ 129,325
N. Trumble Pond SRF	288,635	288,635	-
TVRWRF SRF	2,612,471	2,612,471	-
APAD SRF	2,293,874	2,293,874	-
SCATT SRF	2,122,225	2,122,225	-
Total Debt Service Reserve Funds	$ 9,422,125	$ 9,551,450	$ 129,325

[1] The total required reserve per loan agreement is $2,104,920. Half of this amount is required to be and was deposited by the first of ten semi-annual payments (July 1, 2013) and the remainder of the balance was required to be deposited by the tenth year of the repayment period (approximately July 1, 2018).

Notes to Financial Statements
June 30, 2023

NOTE 4 – Long Term Liabilities (cont'd)

Master Resolution

The District adopted Resolution No. 2667, entitled "A Resolution of the Board of Directors of the Eastern Municipal Water District Providing for the Allocation of Water and Sewer Revenue" (the "Master Resolution") to establish various reserves and covenants of which the following are required to be maintained:

1. Debt Coverage Ratio

   The District has covenanted that Net Water and Sewer Revenues shall be at least 1.15 times the sum of all Debt Service on all Parity Obligations, plus the amount of all deposits required to be made to the Operating Reserve Fund. As of June 30, 2023, the District's subordinate obligation debt service coverage ratio was 3.4 times.

2. Operating Reserve Fund

   The District has covenanted that it will maintain a minimum of one quarter of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. The required reserve amount and the actual reserve balance on June 30, 2023 was $61,139,796.

Standby Certificate Purchase Agreements

Included in long-term debt at June 30, 2023 are $94,455,000 Series 2018A Revenue Bonds. This variable rate debt issuance has a tender provision for bondholders on seven-day notice, to tender their bonds at par value plus accrued interest. In connection with the issuance of the debt, the District executed a Standby Bond Purchase Agreement (SBPA) between the District and Bank of America, N.A. The SBPA expiration date is September 26, 2025. The SBPA is terminated prior to the expiration date only if there is an occurrence of "events of defaults." As of June 30, 2023, there were no outstanding bonds that have been tendered but failed to be remarketed.

NOTE 5 – Leases

Lease Receivables

The District leases a portion of its facilities for cellular tower antenna sites with lease terms ranging from 36 to 240 months. The initial lease receivable for the cellular tower sites was recognized in the amount of $7,960,021 and at June 30, 2023, the receivable balance was $6,764,272. The annual CPI increase to these leased sites ranges from 3.0 to 4.0 percent and the monthly lease payments range from $1,208 to $3,900, with interest rates varying from 0.0703 to 3.73 percent. Deferred inflow of resources was $6,416,363 and lease revenue recognized was $599,510.

Notes to Financial Statements
June 30, 2023

NOTE 5 – Leases (cont'd)

The District also leases a portion of its land for agricultural use, with lease terms of 60 months. The initial land lease receivable was recognized in the amount of $97,745 and at June 30, 2023, the balance of land lease receivable was $74,350. The lessee is required to make semi-annual fixed payments ranging from $4,596 to $5,100, with interest rates varying from 1.09 to 2.58 percent. Deferred inflow of resources at June 30, 2023 was $78,518 and lease revenue recognized during the fiscal year was $17,585.

Principal and Interest to Maturity on Lease Receivables

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 521,085	$ 120,696	$ 641,781
2025	547,275	112,594	659,869
2026	534,344	104,414	638,758
2027	513,497	96,941	610,438
2028	468,447	89,549	557,996
2029 - 2033	2,275,857	335,616	2,611,473
2034 - 2038	1,303,913	168,237	1,472,150
2039 - 2043	674,204	35,777	709,981
Total	$ 6,838,622	$ 1,063,824	$ 7,902,446

Lease Payables

At June 30, 2023, the District recorded land leases, with lease terms ranging from 107 to 241 months. An initial lease liability was recorded in the amount of $2,387,967 and, as of June 30, 2023, the value of the land lease payable was $2,272,616. The monthly fixed payments of these leases range from $1,744 to $6,842, with interest rates varying from 1.59 to 2.97 percent. The value of right-to use land as of June 30, 2023 was $2,387,967, with an accumulated amortization of $185,269. Also reported on the Lease Assets by Major Classes table below is the value of right-to-use water capacity rights in the amount of $1,037,340, with an accumulated amortization of $311,202. At June 30,2023, the capacity rights lease payable was $731,802.

Also reported on the table below are equipment leases, with lease terms ranging from 60 to 72 months. The initial lease liability was recorded in the amount of $1,913,905 and, as of June 30, 2023, the value of the equipment lease payable was $1,254,225. The monthly lease payments range from $5,364 to $17,637, with interest rates varying from 0.65 to 3.16 percent. The value of the right-to-use leased equipment as of June 30, 2023 was $1,914,215, with an accumulated amortization of $673,814.

Notes to Financial Statements
June 30, 2023

NOTE 5 – Leases (cont'd)

Lease Assets by Major Classes

Asset Class	Lease Asset Value	Accumulated Amortization
Land	$ 2,387,967	$ 185,269
Equipment	1,914,215	673,814
Water Capacity	1,037,340	311,202
Total Leases	$ 5,339,522	$ 1,170,285

Principal and Interest Requirements to Maturity on Lease Assets

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 653,235	$ 87,124	$ 740,359
2025	666,416	77,311	743,727
2026	568,516	67,385	635,901
2027	341,472	58,550	400,022
2028	214,953	51,994	266,947
2029 - 2033	624,502	201,343	825,845
2034 - 2038	658,462	124,577	783,039
2039 - 2043	531,087	33,987	565,074
Total	$ 4,258,643	$ 702,271	$ 4,960,914

Notes to Financial Statements
June 30, 2023

NOTE 6 – Subscription Based Technology Arrangements

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). The primary objective of this statement is to enhance the relevance and consistency of information about a government's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

Subscriptions Payable

At June 30, 2023, the District recorded subscription-based information technology arrangements with subscriptions ranging from 24 to 96 months. At June 30, 2021, an initial subscription liability was recorded in the amount of $2,059,166 and as of June 30, 2023, the value of the subscription payable was $1,757,104. The annual payments of these subscriptions range from $10,200 to $145,130 with interest rates varying from 0.22 to 3.24 percent. The value of the right to use subscription asset as of June 30, 2023 was $4,019,499 with an accumulated amortization of $1,881,709.

Subscription Assets by Major Class

Asset Class	Subscription Asset Value	Accumulated Amortization
Software	$ 4,019,499	$ 1,881,709
Total Subscriptions	$ 4,019,499	$ 1,881,709

Principal and Interest Requirements to Maturity on Subscriptions

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 732,324	$ 18,019	$ 750,343
2025	369,104	11,609	380,713
2026	251,117	7,075	258,192
2027	202,001	4,920	206,921
2028	155,748	2,857	158,605
2029 - 2031	46,810	2,297	49,107
Total	$ 1,757,104	$ 46,778	$ 1,803,882

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's agent multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. The Plans' provisions and benefits in effect on June 30, 2023 are summarized as follows:

		Miscellaneous	
Hire date	**Prior to 11/1/10**	**11/1/10-1/1/13**	**On or after 1/1/2013**
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	62-67
Monthly Benefits as a % of eligible compensation	2.5%	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	7.00%
Required employer contribution rates	9.75%	9.75%	9.75%

Employees Covered

The following employees were covered by the benefit terms as of the measurement date:

Active Members	613
Transferred Members	83
Terminated Members	118
Retired Members and Beneficiaries	591
Total	1,405

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan (cont'd)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used To Determine Total Pension Liability

As of June 30, 2023, the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.3% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.3% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Events Subsequent to the Actuarial Valuation Date

On July 12, 2021, CalPERS reported a preliminary 21.3 percent net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3 percent prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of .20 percent, from 7.0 percent to 6.8 percent. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan (cont'd)

On November 17, 2021, the board adopted a new strategic asset allocation. The new asst allocation along with the new capital market assumptions, economic assumptions, and administrative expense assumption support a discount rate of 6.9 percent (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.5 percent to 2.3 percent as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This Study also recommended modifications to retirement rates, termination rates, mortality rates, and rates of salary increases that were adopted by the board. These new assumptions will be reflected on the GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class[1]	Asset Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation of 2.30% used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan (cont'd)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (c) = (a) - (b)**
Balance at 6/30/2021 (VD)	**$ 527,274,823**	**$ 422,681,847**	**$ 104,592,976**
Changes Recognized for the Measurement Period:			
Service Cost	11,231,548	-	11,231,548
Interest on the Total Pension Liability	37,391,245	-	37,391,245
Changes of Assumptions	19,846,797	-	19,846,797
Differences between Expected and Actual Experience	1,640,603	-	1,640,603
Contributions - Employer	-	22,089,912	(22,089,912)
Contributions - Employees	-	4,912,048	(4,912,048)
Net Investment Income	-	(32,238,717)	32,238,717
Benefit Payments, including Refunds of Employee Contributions	(24,951,796)	(24,951,796)	-
Administrative Expense	-	(263,306)	263,306
Other Miscellaneous Income(Expense)	-	-	-
Net Changes during 2021-2022	**$ 45,158,397**	**$ (30,451,859)**	**$ 75,610,256**
Balance at 6/30/2022 (MD)	**$ 572,433,220**	**$ 392,229,988**	**$ 180,203,232**

(VD) Valuation Date
(MD) Measurement Date

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan (cont'd)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	Discount Rate -1% 5.90%	Current Discount 6.90%	Discount Rate +1% 7.90%
Plan's Net Pension Liability/(Asset)	$ 258,607,467	$180,203,232	$ 115,375,750

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

Notes to Financial Statements
June 30, 2023

NOTE 7 – Defined Benefit Pension Plan (cont'd)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2022 (the measurement date), the District recognized a pension expense of $24,895,812 for the plan.

As of June 30, 2023, the District reported other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 23,029,690	$ -
Changes of Assumptions	15,532,276	-
Differences between Expected and Actual Experience	6,097,507	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	19,802,552	-
Total	$ 64,462,025	$ -

The $23,029,690 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 10,474,563
2024	9,119,726
2025	6,752,281
2026	15,085,765
	$ 41,432,335

Notes to Financial Statements
June 30, 2023

NOTE 8 – Defined Contribution Plan

The District maintains the EMWD 401(a) Plan, a defined contribution money purchase pension plan that is qualified under Internal Revenue Code Section 401(a). The District has an agreement with Nationwide Retirement Solutions (Nationwide) whereby Nationwide receives, invests, and reports on the funds sent to them on behalf of eligible employees. Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its Union. Employees are vested in the funds contributed on their behalf after one year of service and have several investment options within the lineup of funds available at Nationwide. The 401(a) Plan was adopted in January 1978 and may be amended by the District, provided Nationwide joins in such amendment. The District's required contributions to the 401(a) Plan are 7.15 percent of each eligible employee's compensation, up to a maximum annual compensation of $16,500. The District's contribution to the 401(a) Plan was $755,801 for the fiscal year ended June 30, 2023.

In July 2011, the District executed a plan amendment to its 401(a) Plan to provide for a contribution to this 401(a) Plan on behalf of the General Manager in accordance with his employment contract. Contribution to this 401(a) Plan was $28,500 for the fiscal year ended June 30, 2023.

The District provides a voluntary 457(b) deferred compensation plan for employees to contribute to their retirement on a tax-deferred basis. In October 2013, the District executed an amendment to its 401(a) Plan to provide for a matching contribution for those employees contributing to the 457(b) deferred compensation plan. The District's matching contributions will be paid into the 401(a) plan equal to 100 percent of an employee's 457(b) contribution at a rate of 4.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or before December 31, 2012 and 5.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or after January 1, 2013 (this is not applicable to employees who are re-hired and are vested for retiree medical higher than the PEMHCA minimum; these employees will be eligible for the 4.0 percent match noted earlier.) Matching contributions to the 401(a) plan totaled $2,369,230 for the fiscal year ended June 30, 2023.

NOTE 9 – Postemployment Benefits Other Than Pension

Plan Description

Health Care Benefits - The District provides postemployment health care benefits to all qualified employees who meet the District's California Public Employees' Retirement System (PERS) plan requirements. This plan is an agent multiple employer defined benefit OPEB plan. This plan contributes an amount for the retirees and dependents, as applicable, with eligibility based on the Health Benefit Vesting Requirements found in Government Code 22893 (Vesting for Contracting Agency Employees). This amount of District's contribution varies according to the retiree's medical benefit tiers as follows:

Tier 1 (hired prior to August 1, 2005) –The District's contribution is 100 percent of the coverage level elected by the retiree up to the greater of the basic monthly rate under PEMHCA. The District's medical premium contributions will be adjusted using the average of the percentage premium increases from all District offered medical plans which had active employee enrollments in July, rounded up to the next whole dollar, respectively. If the cost of an employee's medical coverage provided through PEMHCA or Kaiser 'A' exceeds the District's total contributions towards the coverage, the employee will be responsible for contributing the difference. Employee contributions will be made through the District's cafeteria plan on a pre-tax basis (or as mandated by regulations)

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

Effective for the 2022 calendar year, the District's contribution is 100 percent of the coverage level elected by the retiree up to the maximum of $822 per month for single coverage, $1,795 per month for two-party coverage and $2,326 per month for family coverage. The District's contribution consists of the CalPERS statutory minimum required contribution of $149 per month for 2022 and $151 per month for 2023 and a contribution through a health reimbursement arrangement (HRA). Retirees in the Kaiser A HMO pay a monthly contribution based on the family coverage category elected if premium exceeds District contribution as stated above. The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 2 (hired from August 1, 2005 to March 26, 2014) – The District's contribution is 100 percent of the coverage level elected by the retiree up to the greater of the same contribution amount as a retiree hired prior to August 1, 2005 multiplied by a vesting schedule or the 100/90 amount per PEMHCA. The 100/90 amount is 100 percent of the weighted average of single coverage and 90 percent of the weighted average of additional premium for the two-party and family coverage for the four PEMHCA plans with the highest State enrollment in the prior year (for 2022: $822 per month for single, $1,795 per month for two-party and $2,326 per month for family). The vesting percentages, according to PEMHCA Section 22893, range from 50 percent to 100 percent for retirees with service of ten years to 20 years or more. The District's contribution consists of the CalPERS statutory minimum required contribution of $149 per month for 2022 and $151 per month for 2023 and a contribution through a health reimbursement arrangement (HRA). The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 3 (hired after March 26, 2014) – The District's contribution is the PEMHCA minimum required contribution of $149 per month in 2022 and $151 per month for 2023.

The District also provides healthcare benefits to elected official retirees in accordance with the District's Administrative Code. This plan contributes up to the District's contribution amount for employees and dependent coverage.

Life Insurance Benefits - In addition, the District provides postemployment group life insurance to eligible retired employees and elected officials with a death benefit of $10,000 up to age 70 and $5,000 thereafter for retired employees; and a death benefit of $5,000 up to age 70 and $2,500 thereafter for elected officials.

The benefit provisions for retiree employee health care and life insurance are established and amended through the memorandum of understanding between the District and the Union. The benefit provisions for retired elected official life insurance are established through the District's contract with the life insurance company. The District does not issue separate stand-alone financial reports for these plans.

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	610
Inactive employees or beneficiaries currently receiving benefits	480
Inactive employees entitled to but not yet receiving benefits	-
Total	1,090

Contributions

Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. The contribution requirements of the District for retired elected officials may be amended through Board action to update the Ordinance 70, for the health benefit plan, or with the life insurance company, for the life insurance benefits. The District's policy is to achieve full funding of its unfunded actuarial accrued or net OPEB liability by fiscal year 2033-2034. The District's funding practice is to fund at least the actuarially determined contribution, inclusive of direct payments for retiree health payments and the implied subsidy, which is determined based on the normal cost plus an amortization of the net (unfunded accrued) OPEB liability over a reasonable period (currently fifteen years). The District's contribution to the OPEB Trust for the fiscal year ended June 30, 2023 was $2,940,501, the total of the actuarially determined contribution and the estimated implied subsidy. The District achieved its full funding goal in fiscal year 2022, resulting in a net OPEB asset balance of $23,954,092. As of June 30, 2023, the net OPEB asset balance was $2,328,151.

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

Net OPEB Liability

The District's net OPEB liability was measured on June 30, 2022 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Level Percentage of Pay
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.30%
Salary Increases	2.75% wage inflation plus seniority, merit and promotion salary increases based on CAlPERS Experience Study and Review of Actuarial Assumptions, published in December 2017 for Public Agency Miscellaneous members.
Investment Rate of Return	6.50% per year; assumes the District invests in the CERBT asse allocation Strategy 1.
Mortality Rate	Based on Pub-2010 General Employees/Retirees/Disabled/ Contingent Survivors Headcount Weighted Mortality Table projected fully generationally using Scale MP-2021.
Pre-Retirement Turnover	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 for Public Agency Miscellaneous members.
Healthcare Trend Rate	Medical costs are adjusted in future years by the following trends:

Year	Trend
2023	5.50%
2024	5.40%
2025	5.36%
2030 to 2050	5.18%
2060	4.83%
2070	4.38%
2075+	4.04%

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

The long-term expected rate of return on OPEB plan investments is 7.0 percent and was determined using a building block method in which best-estimate ranges of expected future real rates of return, net of investment expense, are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class in the OPEB plan's target allocation as of June 30, 2022 are summarized in the following table:

	Strategy 1	
Asset Class	**Target Allocation**	**Long-Term Expected Rate of Return**
Global Equity	59.00%	5.78%
Fixed Income	25.00%	2.37%
REITS[1]	8.00%	4.70%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.26%
Commodities	3.00%	2.64%
Total	**100.00%**	

Discount Rate

The discount rate used to measure total OPEB liability was 6.50 percent, assuming full funding by 2033/2034.

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

Changes in OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at 6/30/2022 (MD June 30, 2021)	**$ 110,888,262**	**$ 134,842,354**	**$ (23,954,092)**
Changes Recognized for the Measurement Period:			
Service Cost	2,326,894	-	2,326,894
Interest	7,724,341	-	7,724,341
Differences between expected and actual experience	(6,370,595)		(6,370,595)
Changes of assumptions	6,478,436		6,478,436
Contributions from the Employer	-	-	-
Net Investment Income	-	(11,434,314)	11,434,314
Benefit Payments	(5,833,524)	(5,833,524)	-
Administrative Expense	-	(32,551)	32,551
Other	-	-	-
Net Changes	**$ 4,325,552**	**$ (17,300,389)**	**$ 21,625,941**
Balance at 6/30/2023 (MD June 30, 2022)	**$ 115,213,814**	**$ 117,541,965**	**$ (2,328,151)**

Sensitivity of the Net OPEB Obligation Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability (Asset)	$ 12,645,411	$ (2,328,151)	$ (14,713,433)

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability (asset) of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease	Healthcare Trend Rates[1]	1% Increase
Net OPEB Liability (Asset)	$ (16,863,597)	$ (2,328,151)	$ 15,566,775

[1] Comparison of Baseline, 1% Decrease, and 1% Increase in healthcare trend rates assumptions are as shown below:

1% Decrease	Baseline	1% Increase
Actual premium increases as shown below less 1.00% followed by 4.50% decreasing to 3.04% ultimate rate by FYE 2075	Actual premoum increases as shown below, followed by 5.50% decreasing to 4.04% ultimate rate by FYE 2075	Actual premium increases as shown below plus 1.00% followed by 6.50% decreasing to 5.04% ultimate rate by FYE 2075

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For fiscal year June 30, 2023, the District recognized an OPEB revenue of $2,199,978. As of the fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 2,940,501	$ -
Differences between expected and actuarial experience	-	(15,018,062)
Changes in assumptions or other inputs	10,039,543	(2,478,248)
Differences between actual and projected earnings	3,752,007	-
Total	$ 16,732,051	$ (17,496,310)

Notes to Financial Statements
June 30, 2023

NOTE 9 – Postemployment Benefits Other Than Pension (cont'd)

The $2,940,501 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as an increase of the net OPEB asset during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30		Deferred Outflows (Inflows) of Resources
2023	$	(2,909,741)
2024		(2,956,556)
2025		(1,326,006)
2026		3,469,567
2027		17,976
	$	(3,704,760)

NOTE 10 – Restricted and Unrestricted Net Position

Restricted Net Position

Net Position restricted for debt service/covenants represent constraints required by the District's Master Resolution and third-party general obligation bondholders.

Net Position restricted for pension benefit trust represent funds designated to be paid to CalPERS or any other future pension plans sponsored or enrolled in by the District. This Section 115 Trust was established in fiscal year 2022.

Net Position restricted for construction represents constraints on legally restricted funds received and unspent from developers as required by State law.

Unrestricted Net Position

As required by GASB Statement No. 34, net position has been classified according to guidelines established for restricted net position. The unrestricted net position, although not legally restricted, has been established pursuant to Board Resolution No. 2021-054 and is primarily composed of reserves for various purposes.

Notes to Financial Statements
June 30, 2023

NOTE 11 – Commitments

Construction Contracts

The District is committed to approximately $191,573,894 of open contracts as of June 30, 2023. The Contracts with the largest remaining balances include:

	Contract Amount	Balance To Complete
MVRWRF Plant 2B Equipping and Flow Diversion	$ 40,129,713	$ 34,457,214
SJVRWRF Plant 1 Rehabilitation, Centrate Equalization & Digester No. 2	25,355,826	23,867,715
San Jacinto Valley Raw Conveyance Facilities-EM25 Service Connection	8,247,559	5,426,847
Wells 206, 207, 28 and 209 Raw Water Conveyance Pipelines-Phase 2	6,738,000	4,813,236
Wells 201, 202, 203 & 205 Equipping	19,989,672	3,007,387
French Valley Recycled Water Distribution Pipeline, Phase II	4,474,724	1,664,415
San Jacinto Valley Raw Water Conveyance Facilities Phase 1 Pipeline	16,104,147	1,654,798
TVRWRF Dewatering Building Corrosion Mitigation	2,098,951	1,367,587
Mountain View Tank Rehabilitation	2,485,227	880,437
Menifee Village Tank Rehabilitation	1,595,235	476,179
TOTAL	$ 127,219,054	$ 77,615,816

Claims and Judgments

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, error and omissions, road and walkway design hazards, vehicle accidents and flooding for which the District maintains various insurance programs. The District has entered into contracts to oversee and administer these programs.

The District maintains excess insurance coverage of $10,000,000 per occurrence with a $1,000,000 self-insured retention per incident for losses sustained because of liability imposed on the District by the Workers' Compensation Act. For general liability, the District maintains excess insurance coverage of $30,000,000 per occurrence with a $1,000,000 self-insured retention.

Notes to Financial Statements
June 30, 2023

NOTE 11 – Commitments (cont'd)

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is included in other accrued expenses. The District did not have any non-incremental claims adjustment expenses that needed to be included as part of the unpaid claims liability. Changes in claims payable for the year ended June 30, 2023 are as follows:

	Beginning Balance June 30, 2022	Additions	Deletions	Ending Balance June 30, 2023	Due Within One Year
General Liability	$ 584,530	$ 592,210	$ (635,036)	$ 541,704	$ 541,704
Workers Compensation	1,566,593	1,429,840	(911,959)	2,084,474	601,391
	$ 2,151,123	$ 2,022,050	$ (1,546,995)	$ 2,626,178	$ 1,143,095

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2022 to 2023. There were no settlements that exceeded insurance coverage for the three prior fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020.

Soboba Settlement Act

The District is a party to the Soboba Settlement Act (Act). This Act was signed into Law by the President of the United States of America on July 31, 2008 and approved the Settlement Agreement between the Soboba Band of Luiseño Indians; the United States of America (as trustee for the Soboba Tribe); the Lake Hemet Municipal Water District (LHMWD), the Metropolitan Water District of Southern California (MWD), and the District. The Soboba Tribe negotiated a water rights claim with these local water districts for the Tribe's lost water resources from springs and creeks on its reservation caused by construction of the San Jacinto Tunnel by MWD, and by construction of Lake Hemet by the LHMWD. Notice regarding the statement of findings for the act was published in the Federal Register on November 28, 2011 and the Settlement Agreement became enforceable.

The Settlement Agreement provides that:

a) The Tribe shall have a senior right to 9,000-acre feet of water each year;

b) The local agencies shall develop a groundwater management plan (and a committee to operate that plan);

c) The District shall contract with MWD for a long-term water supply agreement to bring 7,500-acre feet of additional imported settlement water into the area each year to meet the current and future needs;

d) The local agencies shall construct facilities to bring in the additional water and recharge it into the groundwater basin;

e) The groundwater management plan is to include arrangements between the municipal pumpers in the area (LHMWD, the cities of Hemet and San Jacinto, and the District) regarding limitations on pumping from the groundwater basin;

f) The federal government shall provide some funding for compliance with the agreement; and,

g) MWD and the District will transfer land that each agency owns to the Tribe in full satisfaction of the tribe's damages because of construction of the San Jacinto Tunnel.

Notes to Financial Statements
June 30, 2023

NOTE 11 – Commitments (cont'd)

The District's share for the construction of the facilities and use of Tribe's water is estimated to be $8,966,222. The District and local agencies established a financing plan for the construction costs of the facilities. This plan is based upon the repayment schedule for the 2008H COP (while the 2008H COP has been refunded, it does not change the Soboba repayment schedule) and requires the local agencies to contribute towards principal payments totaling $12,998,778 and interest payments at their proportionate share. All amounts paid or accrued relating to the financing plan are recorded on the District's books.

In association with this settlement agreement, the stipulated judgment required that a watermaster be established to develop and implement a groundwater management plan and administer the provisions of the judgment. The Hemet-San Jacinto Watermaster (Watermaster) was established on April 18, 2013 and began operations in June 2013. Prior to the formation of the Watermaster, the local agencies established an interim plan for imported water deliveries from MWD for in-lieu and replenishment water. The local agencies have agreed that the District will continue to purchase and deliver in-lieu and replenishment settlement water and bill the agencies directly on behalf of the Watermaster. The District did not have any outstanding billings of imported settlement water deliveries as of June 30, 2023.

In June 2013, the District established a methodology for valuing its share of the native groundwater in the Hemet-San Jacinto Groundwater Basin, including additions and withdrawals. The District recorded $15,649,168 in water inventory for the fiscal year ended June 30, 2023. The District's methodology identifies various water layers in the basin and assigns a zero-dollar value to native water, with additions of imported settlement water valued at purchased cost and withdrawals valued at a weighted average cost of all inventory layers. The following table illustrates the changes in water inventory for the fiscal year ended June 30, 2023.

	Beginning Balance June 30, 2022	Additions	Reductions	Ending Balance June 30, 2023
Acre feet	85,519	11,187	(8,965)	87,741
Dollar value	$ 13,938,174	$ 3,172,202	$ (1,461,208)	$ 15,649,168

Notes to Financial Statements
June 30, 2023

NOTE 12 – Contingencies

The District is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the District's financial position or results of operations.

NOTE 13 – Santa Ana Watershed Project Authority

The District became a member of the Santa Ana Watershed Project Authority (SAWPA) in September 1984. SAWPA was formed in 1975, pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The purpose of SAWPA is to undertake projects for water quality control and protection and pollution abatement in the Santa Ana Watershed. The authority is governed by a 5-member Commission, consisting of one member from each of the five-member agencies; an alternate from each member agency is also designated. The Commission members select a Commissioner and an alternate.

According to the latest available audited financial statements, as of June 30, 2022 SAWPA had total assets of $180,505,856 and total net assets of $78,392,928. SAWPA Financial Statements can be obtained by contacting SAWPA at 11615 Sterling Avenue, Riverside, CA 92503 or at www.sawpa.org. The District does not have a measurable equity interest in SAWPA.

NOTE 14 – Advances from Developers

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. On June 30, 2023, the amount of refundable deposits was $39,279,799. When a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated construction in progress costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

NOTE 15 – Assessment District, Community Facilities District Bonds, and Conduit Debt

Bonds issued to finance public improvement projects in certain assessment districts and community facilities districts are liabilities of property owners and are secured by liens against the assessed property. The District acts as an agent for the collection of special assessments from the property owners and the payment of principal and interest to the bondholders. The District has no obligation or duty to pay any delinquency out of any available funds of the District. Neither the faith, credit, nor the taxing power of the District is pledged to the payment of the bonds. The assessments collected and the debt service payments related to these conduit debts are recorded in the custodial funds in the statement of fiduciary net position. The balance in the reserve accounts at the end of the fiscal year for each bond issue was above the reserve requirement.

Notes to Financial Statements
June 30, 2023

NOTE 15 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2023
AD 5	(Romoland)	$ 1,165,803	$ 300,000
AD 7	(Homeland/Green Acres)	4,389,454	-
AD 8	(StageCoach Road)	4,167,528	1,625,000
AD 9	(East Pourroy Road)	270,046	14,213
AD 12	(Pigeon Pass Road)	2,224,919	970,000
AD 19A	(GlenOaks)	3,642,402	2,692,357
AD 20	(Menifee Valley Development)	4,995,000	2,070,000
CFD 2001-01 IA A	(French Valley)	18,380,000	13,275,000
CFD 2001-01 IA B	(French Valley)	1,350,000	950,000
CFD 2001-02 IA A	(Springfield/Arbor Glen)	3,590,000	2,635,000
CFD 2001-02 IA B	(Springfield/Arbor Glen)	585,000	420,000
CFD 2002-03	(Willows)	2,295,000	1,620,000
CFD 2002-04 IA 1	(Sheffield/RBV)	1,815,000	1,325,000
CFD 2002-04 IA 2	(Sheffield/RBV)	3,070,000	2,315,000
CFD 2002-04 IA 3	(Sheffield/RBV)	645,000	410,000
CFD 2002-04 IA 4	(Sheffield/RBV)	490,000	325,000
CFD 2002-04 IA 5	(Sheffield/RBV)	995,000	740,000
CFD 2002-05	(Crown Valley Village)	10,230,000	6,905,000
CFD 2002-06 IA A	(Morgan Hill)	5,050,000	3,710,000
CFD 2002-06 IA B	(Morgan Hill)	9,009,000	6,371,000
CFD 2002-06 IA C	(Morgan Hill)	4,485,000	4,250,000
CFD 2002-07 IA A	(Pacific Mayfield)	1,985,000	1,875,000
CFD 2002-07 IA B	(Pacific Mayfield)	3,285,000	2,940,000
CFD 2002-07 IA C	(Pacific Mayfield)	6,070,000	5,680,000
CFD 2002-08	(Serena Hills)	2,435,000	1,770,000
CFD 2002-09	(Woodside Homes)	1,405,000	885,000
CFD 2002-10	(Summit Ridge)	1,820,000	1,365,000

Notes to Financial Statements
June 30, 2023

NOTE 15 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2023
CFD 2003-12 IA A	(Temecula Creek)	$ 1,865,000	$ 1,250,000
CFD 2003-12 IA B	(Temecula Creek)	2,510,000	1,690,000
CFD 2003-14 IA A	(Clinton Keith/Meadowlark)	1,435,000	995,000
CFD 2003-14 IA B	(Clinton Keith/Meadowlark)	3,330,000	2,330,000
CFD 2003-14 IA C	(Clinton Keith/Meadowlark)	1,635,000	1,130,000
CFD 2003-15 IA A	(Morgan Valley)	5,835,000	4,315,000
CFD 2003-16	(Promontory Park)	3,055,000	2,050,000
CFD 2003-19 IA A	(Eastridge/Westridge)	2,035,000	1,415,000
CFD 2003-19 IA B	(Eastridge/Westridge)	3,705,000	2,590,000
CFD 2003-20 IA A	(Corman Leigh)	1,405,000	965,000
CFD 2003-20 IA B	(Corman Leigh)	298,000	190,000
CFD 2003-20 IA C	(Corman Leigh)	951,821	637,818
CFD 2003-20 IA D	(Corman Leigh)	1,970,000	1,870,000
CFD 2003-25 IA B	(Pacific Communities)	2,425,000	2,155,000
CFD 2003-25 IA C	(Pacific Communities)	4,700,000	4,205,000
CFD 2003-25 IA D	(Pacific Communities)	3,070,000	2,200,000
CFD 2004-26 IA 1	(San Jacinto)	4,675,000	3,265,000
CFD 2004-26 IA 2	(San Jacinto)	2,780,000	1,920,000
CFD 2004-27	(Cottonwood Ranch)	7,296,000	5,295,000
CFD 2004-28	(Quinta Do Lago)	3,735,000	2,590,000
CFD 2004-29	(Sun Ranch)	4,617,000	3,341,000
CFD 2004-30	(Barrington Heights)	2,220,000	1,535,000
CFD 2004-32 IA A	(Rancho San Jacinto)	1,524,000	1,130,000
CFD 2004-32 IA B	(Rancho San Jacinto)	1,046,000	762,000
CFD 2004-34	(Faircrest)	5,470,000	3,815,000
CFD 2004-35 IA A	(Mountain Gate)	1,825,000	1,470,000
CFD 2004-35 IA C	(Mountain Gate)	850,000	575,000
CFD 2004-35 IA D	(Mountain Gate)	1,180,000	1,095,000
CFD 2004-36	(Adeline's Farm)	4,845,000	3,565,000
CFD 2005-38 IA A	(Autumn Ridge)	2,650,000	1,910,000
CFD 2005-38 IA B	(Autumn Ridge)	628,000	423,000
CFD 2005-39	(Marsden)	2,225,000	1,920,000
CFD 2005-40	(Mahogany/Promontory)	2,416,000	1,731,000
CFD 2005-42	(Belicia Ranch)Zone 1, Zone 2	2,151,000	1,581,000
CFD 2005-43 IA A	(Kona Road)	4,470,000	3,845,000

Notes to Financial Statements
June 30, 2023

NOTE 15 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2023
CFD 2005-43 IA B	(Kona Road)	$ 3,360,000	$ 2,960,000
CFD 2005-44	(Vista Del Valle/Calder Ranch)	3,710,000	3,495,000
CFD 2005-47 IA A	(The Lakes)	10,540,000	9,460,000
CFD 2006-52	(Nelson Project)	1,445,000	1,035,000
CFD 2006-56	(Rancho Diamante)	3,635,000	3,430,000
CFD 2006-58	(Meadowbrook II/Stein/Cimmarron)	595,000	555,000
CFD 2010-60	(Paseo Del Sol)	2,605,000	2,280,000
CFD 2012-61	(Creekside)	3,675,000	3,525,000
CFD 2013-63 IA A	(Belle Terre)	3,370,319	3,222,092
CFD 2013-64	(Atherton and Terracina)	13,510,000	12,590,000
CFD 2014-66	(Meadow Creek)	1,275,000	1,185,000
CFD 2014-67 IA A	(The Lakes/Yates)	4,260,000	3,820,000
CFD 2014-67 IA B	(The Lakes/Yates)	3,005,000	2,660,000
CFD 2016-72	(Hidden Hills)	2,400,000	2,330,000
CFD 2016-74 IA C	(Menifee Town Center)	4,145,000	3,965,000
CFD 2016-75	(Washington Road)	2,440,000	2,370,000
CFD 2016-76	(Conestoga)	3,585,000	3,420,000
CFD 2018-82	(Aspen Pointe)	2,095,000	2,075,000
CFD 2015-71	(Promontory)	3,550,000	3,490,000
CFD 2016-74 IA A	(Menifee Town Center)	4,185,000	4,125,000
CFD 2016-74 IA B	(Menifee Town Center)	6,000,000	5,790,000
CFD 2016-74 IA D	(Menifee Town Center)	6,665,000	6,565,000
CFD 2017-79	(Eagle Crest)	13,465,000	13,175,000
CFD 2019-83	(Winchester Ridge)	8,165,000	8,090,000
CFD 2014-65	(Menifee 28859)	4,540,000	4,540,000
CFD 2015-68	(Washington St. - French Valley Acres)	1,181,928	1,181,928
CFD 2017-77 IA B	(La Ventana)	5,280,000	5,280,000
CFD 2020-88	(Reserves)	5,160,000	5,160,000
CFD 2021-91	(Prairie Crossings)	6,605,000	6,605,000
		$ 331,119,220	$ 267,572,408

Notes to Financial Statements
June 30, 2023

NOTE 15 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Summary of Outstanding Debt – CFDs and ADs:

Bonds payable outstanding - CFDs	$	259,900,838
Bonds payable outstanding - ADs		7,671,570
Total outstanding debt	$	267,572,408

Note 16 – Joint Venture

The Marks-Roos Local Bond Pooling Act of 1985 authorizes local municipalities to work together through creating a Joint Powers Authority for the purpose of issuing a large series of bonds to finance several smaller projects. In 2004, EMWD and Rancho California Water District (RCWD) entered into a joint exercise powers agreement to form the Western Riverside Water and Wastewater Financing Authority (WRWWFA). The WRWWFA Board comprises of two members from EMWD and two members from RCWD. Separate financial statements for this joint venture are not available.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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Required Supplementary Information
June 30, 2023

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
Last Ten Fiscal Years*

Measurement Period	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Total Pension Liability									
Service Cost	$ 11,231,548	$ 9,595,536	$ 9,154,083	$ 9,193,622	$ 8,950,991	$ 8,944,792	$ 7,843,422	$ 7,679,279	$ 7,775,568
Interest on total pension liability	37,391,245	35,642,785	33,789,499	32,144,217	30,364,075	28,922,504	27,711,744	26,241,865	24,817,574
Difference between Expected and Actual Experience	1,640,603	5,514,252	3,192,129	5,259,636	3,493,286	(3,044,287)	(377,219)	(117,683)	-
Changes of Assumptions	19,846,797		-	-	(3,617,710)	24,934,841	-	(6,714,237)	-
Benefit Payments, Including Refunds of Employee Contributions	(24,951,796)	(23,332,443)	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Change in Total Pension Liability	45,158,397	27,420,130	23,951,189	25,783,493	20,406,780	43,373,380	20,100,697	13,342,678	19,173,413
Total Pension Liability - Beginning	527,274,823	499,854,693	475,903,504	450,120,011	429,713,231	386,339,851	366,239,154	352,896,476	333,723,063
Total Pension Liability - Ending (a)	$ 572,433,220	$ 527,274,823	$ 499,854,693	$ 475,903,504	$ 450,120,011	$ 429,713,231	$ 386,339,851	$ 366,239,154	$ 352,896,476
Plan Fiduciary Net Position									
Contributions - Employer	$ 22,089,912	$ 16,404,318	$ 14,572,036	$ 12,446,688	$ 10,748,951	$ 9,699,290	$ 8,782,080	$ 8,161,529	$ 7,786,103
Contributions - Employee	4,912,048	4,456,022	4,521,539	4,054,435	4,437,439	4,294,049	4,187,293	4,204,174	4,510,815
Net Investment Income	(32,238,717)	78,709,883	16,669,012	20,890,658	25,160,942	30,717,223	1,420,440	6,028,932	40,103,890
Benefit Payments, Including Refunds of Employee Contributions	(24,951,796)	(23,332,443)	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Plan to Plan Resource Movement		-	-	-	(736)	2,059	-	-	-
Administrative Expense	(263,306)	(346,423)	(470,411)	(226,454)	(462,980)	(397,425)	(164,570)	(303,937)	-
Other Miscellaneous Income(Expense)[1]		-		736	(879,206)	-	-	-	-
Net Change in Fiduciary Net Position	(30,451,859)	75,891,357	13,107,654	16,352,081	20,220,548	27,930,726	(852,007)	4,344,152	38,981,079
Plan Fiduciary Net Position - Beginning[2]	422,681,847	346,790,490	333,682,836	317,330,755	297,110,207	269,179,481	270,031,488	265,687,336	226,706,257
Plan Fiduciary Net Position - Ending (b)	$ 392,229,988	$ 422,681,847	$ 346,790,490	$ 333,682,836	$ 317,330,755	$ 297,110,207	$ 269,179,481	$ 270,031,488	$ 265,687,336
Plan Net Pension Liability - Ending (a) - (b)	$ 180,203,232	$ 104,592,976	$ 153,064,203	$ 142,220,668	$ 132,789,256	$ 132,603,024	$ 117,160,370	$ 96,207,666	$ 87,209,140
Pension Liability	68.52%	80.16%	69.38%	70.12%	70.50%	69.14%	69.67%	73.73%	75.29%
Covered Payroll[3]	$ 60,776,774	$ 57,116,286	$ 54,038,273	$ 53,151,539	$ 51,697,994	$ 51,823,823	$ 50,596,193	$ 49,467,138	$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Payroll	296.50%	183.12%	283.25%	267.58%	256.86%	255.87%	231.56%	194.49%	180.99%

* Fiscal Year 2015 was the first year of implementation, therefore, only nine years are shown above.

[1] During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

[2] Includes any beginning of year adjustment.

[3] Includes one year's payroll growth using 2.80 percent payroll growth assumption for fiscal year ended June 30, 2022; 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

Required Supplementary Information
June 30, 2023

Notes To Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15 percent to 6.90 percent. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15 percent for the measurement date 2017 through 2021, 7.65 percent for the measurement dates 2015 through 2016, and 7.50 percent for the measurement date 2014.

Required Supplementary Information
June 30, 2023

Schedule of Pension Plan Contributions
Last Ten Fiscal Years*

Fiscal Year	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	$ 23,029,690	$ 22,089,913	$ 16,404,318	$ 14,572,035	$ 12,446,689	$ 10,748,951	$ 9,699,290	$ 8,782,080	$ 8,160,464
Contributions in Relation to the Actuarially Determined Contribution	(23,029,690)	(22,089,913)	(16,404,318)	(14,572,035)	(12,446,689)	(10,748,951)	(9,699,290)	(8,782,080)	(8,160,464)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 65,202,283	$ 60,776,774	$ 57,116,286	$ 54,038,273	$ 53,151,539	$ 51,697,994	$ 51,823,823	$ 50,596,193	$ 49,467,138
Contributions as a Percentage of Covered Payroll	35.32%	36.35%	28.72%	26.97%	23.42%	20.79%	18.72%	17.36%	16.50%

*Fiscal Year 2015 was the first year of implementation, therefore, only nine years are shown above.

Required Supplementary Information
June 30, 2023

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-2023 were from the June 30, 2020 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	20-year period with a 5-year ramp-up at the beginning of the amortization period.
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00 % net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Required Supplementary Information
June 30, 2023

Schedule of Changes in Net OPEB Liability and Related Ratios
During the Measurement Period
Last Ten Fiscal Years*

Measurement Period	2022	2021	2020	2019	2018	2017
Service Cost	$ 2,326,894	$ 2,692,995	$ 2,577,029	$ 3,248,883	$ 3,154,255	$ 2,947,902
Interest	7,724,341	7,704,554	7,444,293	7,945,843	7,509,723	7,081,960
Differences between expected and actual experience	(6,370,595)	(11,057,440)	(1,094,510)	(7,012,819)	-	-
Changes of assumptions or other inputs	6,478,436	6,961,268	-	(5,792,972)	-	-
Benefit Payments, Including Refunds of Member Contributions	(5,833,524)	(5,477,703)	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Net Change in Total OPEB Liability	4,325,552	823,674	3,749,884	(6,285,857)	6,282,138	6,161,077
Total OPEB Liability - Beginning	110,888,262	110,064,588	106,314,704	112,600,561	106,318,423	100,157,346
Total OPEB Liability - Ending (a)	$ 115,213,814	$ 110,888,262	$ 110,064,588	$ 106,314,704	$ 112,600,561	$ 106,318,423
Plan Fiduciary Net Position						
Contributions - Employer	$ -	$ 19,000,000	$ 19,006,063	$ 19,240,938	$ 17,947,401	$ 18,111,235
Net Investment Income	(11,434,314)	29,929,821	3,169,036	4,177,706	3,861,399	3,066,258
Benefit Payments, Including Refunds of Member Contributions	(5,833,524)	(5,477,703)	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Trust Administrative Expenses	(32,551)	(41,504)	(44,871)	(14,762)	(26,780)	(16,558)
Other Expense	-		-	-	(50,818)	-
Net Change in Plan Fiduciary Net Position	$ (17,300,389)	$ 43,410,614	$ 16,953,300	$ 18,729,090	$ 17,349,362	$ 17,292,150
Plan Fiduciary Net Position - Beginning	134,842,354	91,431,740	74,478,440	55,749,350	38,399,988	21,107,838
Plan Fiduciary Net Position - Ending (b)	$ 117,541,965	$ 134,842,354	$ 91,431,740	$ 74,478,440	$ 55,749,350	$ 38,399,988
Net OPEB Liability - Ending (a) - (b)	$ (2,328,151)	$ (23,954,092)	$ 18,632,848	$ 31,836,264	$ 56,851,211	$ 67,918,435
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	102.0%	121.6%	83.1%	70.1%	49.5%	36.1%
Covered Employee Payroll[1]	$ 57,855,800	$ 55,568,945	$ 55,075,911	$ 53,601,860	$ 51,020,000	$ 51,020,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	-4.0%	-43.1%	33.8%	59.4%	111.4%	133.1%

*Fiscal Year 2018 was the first year of implementation, therefore, only six years are shown above.

[1] Not based on measure of pay

Required Supplementary Information
June 30, 2023

Schedule of OPEB Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30	2023	2022[2]	2021	2020	2019	2018
Actuarially Determined Contribution	$ 1,754,987	$ -	$ 6,642,486	$ 6,566,657	$ 10,934,835	$ 10,833,584
Contributions in Relation to ADC	(1,754,987)	(1,188,882)	(20,103,875)	(19,006,063)	(19,240,938)	(17,947,401)
Contribution Deficiency (Excess)	$ -	$ (1,188,882)	$ (13,461,389)	$ (12,439,406)	$ (8,306,103)	$ (7,113,817)
Covered Employee Payroll[1]	$ 60,771,967	$ 57,855,800	$ 55,568,945	$ 55,075,911	$ 53,601,860	$ 51,020,000
Contributions as a Percentage of Covered Employee Payroll	2.89%	2.05%	36.18%	34.51%	35.90%	35.18%

*Fiscal Year 2018 was the first year of implementation, therefore, only six years are shown above.

[1] Not based on measure of pay

[2] The OPEB Plan was fully funded in fiscal year 2022, therefore, actuarially determined contribution was $0 and the net OPEB asset was $23.9 million. The $1.2 million contribution represented the District's implied subsidy.

Required Supplementary Information
June 30, 2023

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2023 were from the June 30, 2021 actuarial valuation:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal Level Percentage of Pay
Amortization Method/Period	LeveL Dollar over 11 years
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	2.75% wage inflation plus seniority, merit and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions, published in December 2017 for Public Agency Miscellaneous members
Investment Rate of Return	7.00% per year; assumes the District invests in the CERBT asset allocation Strategy 1
Healthcare cost-trend rates	Medical costs are adjusted in future years by the following trends:

Year	Trend
2023	5.50%
2024	5.40%
2025	5.36%
2030 to 2050	5.18%
2060	4.83%
2070	4.38%
2075+	4.04%

Retirement	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 for Public Agency Miscellaneous members
Mortality	Based on Pub-2010 General Employees/Retirees/Disabled/ Contingent Survivors Headcount Weighted Mortality Table projected fully generationally using Scale MP-2020

*Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

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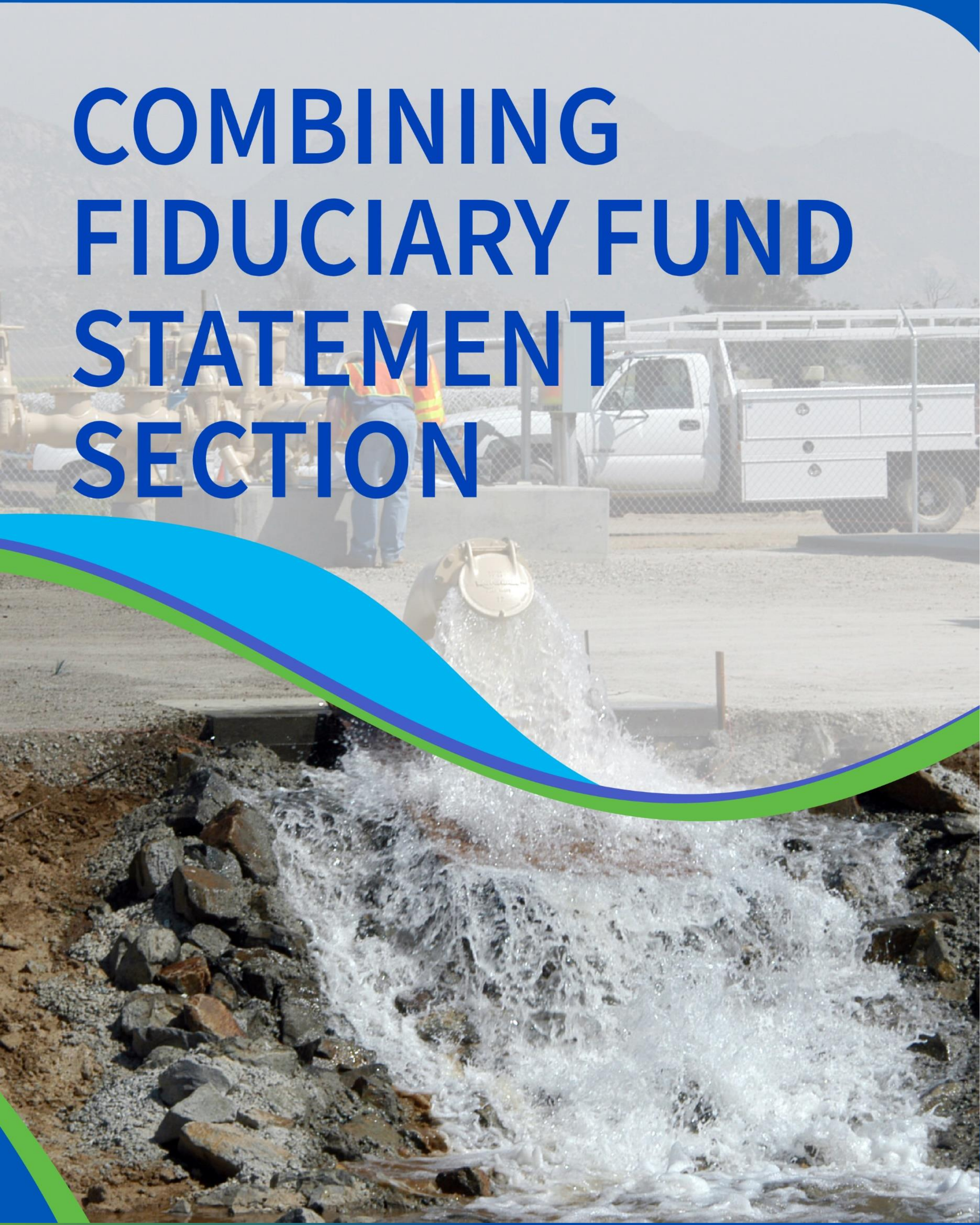
COMBINING FIDUCIARY FUND STATEMENT SECTION



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Reported in the following combining fiduciary fund statements are the OPEB Trust Fund and the special assessment and special tax bonds related to various special assessment and community facility districts within the District's service area. The District acts as an agent for the property owners benefited by the bond financed projects. The District collects the assessments and taxes and forwards these collections to the bondholders. The District may also initiate foreclosure proceedings when appropriate. Neither the faith, credit, or taxing power of the District is pledged for the payment of the bonds nor is the District legally obligated to pay the bonds.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

		Custodial Funds		
	OPEB Trust Fund	**Community Facilities Districts**	**Assessment Districts**	**Total Custodial Funds**
Assets:				
Cash and cash equivalents	$ 6,458,676	$ 78,709,912	$ 1,948,972	$ 80,658,884
Receivables:				
Interest and dividends	135,885			
Special assessments for other governments	-	194,812	91,141	285,953
Investments at fair value:				
Mutual funds - equity	80,821,579	-	-	-
Mutual funds - fixed income	42,136,656	-	-	-
Total assets	129,552,796	78,904,724	2,040,113	80,944,837
Liabilities:				
Payable to Eastern Municipal Water District	6,093,494	-	-	-
Total liabilities	6,093,494	-	-	-
Net position:				
Restricted for:				
Post employment benefits other than pensions	123,459,302	-	-	-
Debt obligations	-	78,904,724	2,040,113	80,944,837
Total net position	$ 123,459,302	$ 78,904,724	$ 2,040,113	$ 80,944,837

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds: Community Facilities Districts	Custodial Funds: Assessment Districts	Custodial Funds: Total Custodial Funds
Additions:				
Contributions	$ 1,750,999	$ -	$ -	$ -
Net increase in fair value of investments	5,571,976	-	-	-
Interest, dividends, and other	4,703,380	2,275,017	42,206	2,317,223
Special assessment collections for other entities	-	22,444,720	1,314,384	23,759,104
Debt proceeds collected on behalf of other entities	-	22,602,221	-	22,602,221
Total additions	12,026,355	47,321,958	1,356,590	48,678,548
Deductions:				
Benefits paid to participants	6,093,494	-	-	-
Administrative expenses	-	1,785,274	81,169	1,866,443
Debt service payments to bondholders	-	9,080,293	996,874	10,077,167
Interest expense	-	10,272,806	361,179	10,633,985
Payments to other entities	-	21,175,046	48,524	21,223,570
Costs of issuance	-	814,504	-	814,504
Trustee fees	15,524	77,250	5,576	82,826
Total deductions	6,109,018	43,205,173	1,493,322	44,698,495
Net increase (decrease) in fiduciary net position	5,917,337	4,116,785	(136,732)	3,980,053
Total net position - beginning of year, as restated	117,541,965	74,787,939	2,176,845	76,964,784
Total net position - end of year	$ 123,459,302	$ 78,904,724	$ 2,040,113	$ 80,944,837

STATISTICAL SECTION

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STATISTICAL SECTION

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other agencies.

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Position by Component

Last Ten Fiscal Years

	2014	2015[1]	2016	2017	2018[2]	2019	2020	2021[3,4]	2022[6]	2023
Net investment in capital assets	$ 1,300,393,466	$ 1,370,476,337	$ 1,403,875,420	$ 1,338,331,638	$ 1,349,982,180	$ 1,389,284,069	$ 1,407,118,856	$ 1,444,600,326	$ 1,429,834,829	$ 1,527,405,900
Restricted for debt service/covenants	70,625,613	74,689,785	80,348,698	71,207,358	80,159,371	86,400,881	94,665,692	95,704,191	113,075,796	109,069,049
Restricted for pension benefit trust [5]	-	-	-	-	-	-	-	-	13,390,147	30,767,996
Restricted for construction	45,199,054	40,347,436	38,265,888	60,632,573	23,827,435	6,161,035	28,953,913	27,574,653	76,942,299	51,525,898
Unrestricted	134,353,793	(7,842,690)	(1,974,861)	62,360,074	94,848,668	154,920,394	210,932,690	260,310,366	304,962,943	345,533,717
Total net position	$ 1,550,571,926	$ 1,477,670,868	$ 1,520,515,145	$ 1,532,531,643	$ 1,548,817,654	$ 1,636,766,379	$ 1,741,671,151	$ 1,828,189,536	$ 1,938,206,014	$ 2,064,302,560
% Increase	73.8%	-4.7%	2.9%	0.8%	1.1%	5.7%	6.4%	5.0%	6.0%	6.5%

Notes:

1. The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of ($103,259,883).
2. The District implemented GASB Statement No. 75 for the fiscal year ended June 30, 2018. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of ($16,478,890).
3. The balance in net position for FY21 includes a net prior period adjustment of $12,071,234 for adjustments made to the property tax receivable balances.
4. The District implemented GASB Statement No.87 for the fiscal year ended June 30, 2022. As a result of this GASB implementation, the beginning net position for fiscal year ended June 30, 2021 was restated for comparison purposes.
5. The District established a Section 115 Trust in FY 2022. The restricted for pension benefit trust represents funds designated to be paid to CalPERS or any other future pension plans sponsored or enrolled in by the District.
6. The District implemented GASB Statement No. 96 for the fiscal year ended June 30, 2023. As a result of this GASB implementation, the beginning net position for fiscal year ended June 30, 2022 was restated for comparison purposes.

Source: Eastern Municipal Water District

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenues Water	Operating Revenues Wastewater	Operating Expenses Water	Operating Expenses Wastewater	Operating Loss	Non-operating Revenues/ (Expenses)	Income Before Capital Contributions	Capital Contributions[1]	Change in Net Position
2014	$ 122,724,175	$ 79,225,506	$ 163,774,490	$ 111,720,396	$ (73,545,205)	$ 57,381,626	$ (16,163,579)	$ 48,826,308	$ 32,662,729
2015	$ 117,295,152	$ 83,513,268	$ 162,871,146	$ 116,781,896	$ (78,844,622)	$ 49,992,435	$ (28,852,187)	$ 59,211,012	$ 30,358,825
2016	$ 112,457,426	$ 93,833,665	$ 154,989,658	$ 121,778,812	$ (70,477,379)	$ 75,675,617	$ 5,198,238	$ 37,646,039	$ 42,844,277
2017	$ 120,870,937	$ 100,328,285	$ 167,605,351	$ 124,278,289	$ (70,684,418)	$ 61,439,040	$ (9,245,378)	$ 21,261,876	$ 12,016,498
2018	$ 135,428,866	$ 105,078,613	$ 180,352,180	$ 124,831,968	$ (64,676,669)	$ 76,036,077	$ 11,359,408	$ 21,405,493	$ 32,764,901
2019	$ 132,847,172	$ 109,072,232	$ 176,569,992	$ 126,117,304	$ (60,767,892)	$ 92,051,786	$ 31,283,894	$ 56,664,831	$ 87,948,725
2020	$ 141,303,051	$ 115,603,869	$ 186,515,757	$ 134,933,642	$ (64,542,479)	$ 84,902,074	$ 20,359,595	$ 84,545,177	$ 104,904,772
2021[2]	$ 163,113,885	$ 122,482,806	$ 199,480,026	$ 137,040,394	$ (50,923,729)	$ 87,802,804	$ 36,879,075	$ 61,710,544	$ 98,589,619
2022[3]	$ 172,342,283	$ 126,504,190	$ 202,611,122	$ 135,053,913	$ (38,818,562)	$ 79,510,310	$ 40,691,748	$ 70,162,194	$ 110,853,942
2023	$ 161,049,316	$ 131,044,144	$ 213,737,499	$ 147,683,800	$ (69,327,839)	$ 123,836,598	$ 54,508,759	$ 71,587,787	$ 126,096,546

Notes:

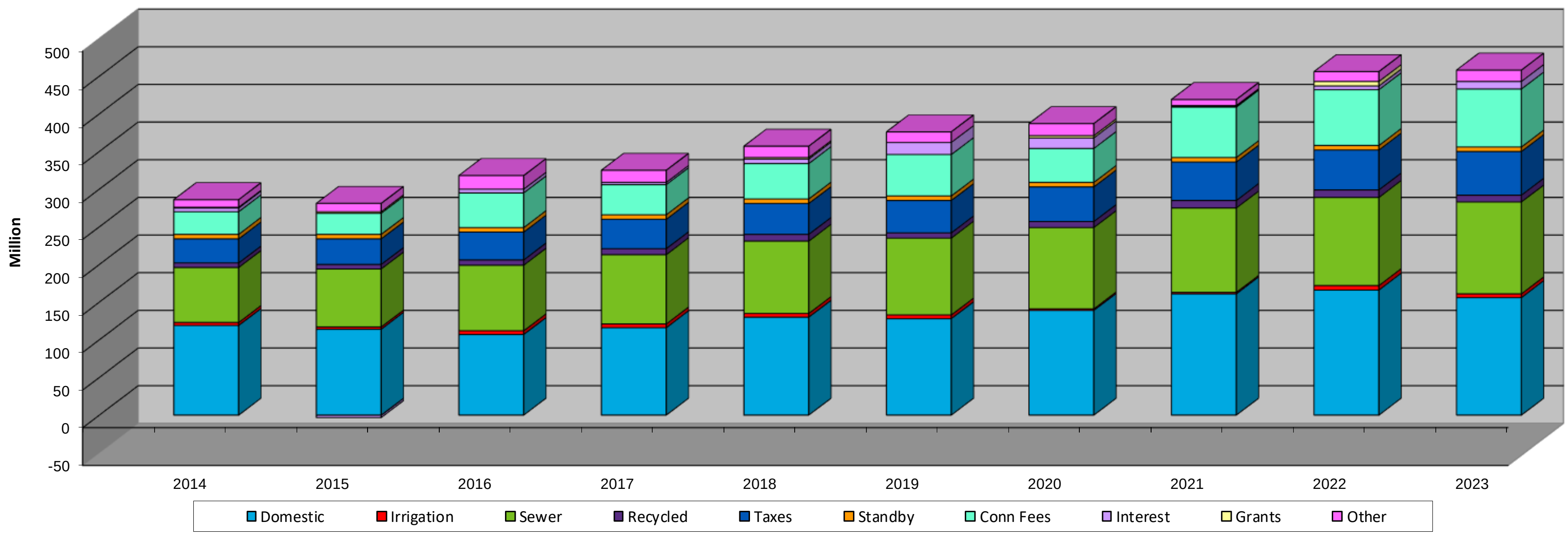
1. Fluctuations in contributed capital are due to the volume of construction activity and project close outs in a fiscal year.
2. The District implemented GASB Statement No.87 for the fiscal year ended June 30, 2022. As a result of this GASB implementation, the Change in Net Position for fiscal year ended June 30, 2021 was restated for comparison purposes.
3. The District implemented GASB Statement No. 96 for the fiscal year ended June 30, 2023. As a result of this GASB implementation, the Change in Net Position for fiscal year ended June 30, 2022 was restated for comparison purposes.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Assmnts	% of Total	Standby Assmnts	% of Total	Connect Fees	% of Total	Interest[1] Income	% of Total	Grants[2]	% of Total	Other	% of Total	Total Revenues
2014	$ 118,695,153	41.5%	$ 4,029,022	1.4%	$ 73,100,086	25.6%	$ 6,125,420	2.1%	$ 32,578,837	11.4%	$ 5,700,591	2.0%	$ 30,149,861	10.5%	$ 4,923,583	1.7%	$ 969,474	0.3%	$ 9,622,670	3.4%	$ 285,894,697
2015	113,859,511	40.8%	3,435,641	1.2%	77,120,505	27.7%	6,392,763	2.3%	34,100,580	12.2%	5,735,466	2.1%	28,307,625	10.1%	(2,593,627)	-0.9%	1,717,926	0.6%	10,834,613	3.9%	278,911,003
2016	107,319,708	33.7%	5,137,718	1.6%	87,184,856	27.4%	6,648,809	2.1%	36,876,790	11.6%	5,784,242	1.8%	45,715,784	14.4%	5,056,957	1.6%	-	0.0%	18,313,734	5.8%	318,038,598
2017	115,796,435	35.6%	5,074,502	1.6%	92,536,116	28.4%	7,792,169	2.4%	38,578,024	11.9%	5,831,357	1.8%	40,565,197	12.5%	2,650,750	0.8%	131,672	0.0%	16,439,820	5.1%	325,396,042
2018	130,596,237	36.6%	4,832,629	1.4%	96,049,786	26.9%	9,028,827	2.5%	40,802,919	11.4%	5,769,853	1.6%	46,924,875	13.2%	6,033,078	1.7%	1,646,062	0.5%	15,092,302	4.2%	356,776,568
2019	127,831,377	34.0%	5,015,795	1.3%	102,037,610	27.2%	7,034,622	1.9%	43,088,264	11.5%	5,828,077	1.6%	54,665,900	14.5%	15,924,001	4.2%	272,250	0.1%	14,119,698	3.8%	375,817,594
2020	139,470,921	36.0%	1,832,130	0.5%	107,541,964	27.8%	8,061,905	2.1%	46,422,441	12.0%	5,779,756	1.5%	45,186,191	11.7%	13,617,212	3.5%	2,715,243	0.7%	16,532,715	4.3%	387,160,478
2021	160,667,782	38.4%	2,446,103	0.6%	112,533,433	26.9%	9,949,373	2.4%	50,984,023	12.2%	5,598,011	1.3%	67,256,487	16.1%	1,149,152	0.3%	655,381	0.2%	7,705,644	1.8%	418,945,389
2022	166,724,780	36.7%	5,617,503	1.2%	116,893,529	25.7%	9,610,661	2.1%	53,420,389	11.7%	5,813,807	1.3%	73,951,090	16.3%	4,538,974	1.0%	5,641,424	1.2%	12,605,852	2.8%	454,818,009
2023	$ 155,948,292	34.0%	$ 5,101,024	1.1%	$ 121,956,150	26.6%	$ 9,087,994	2.0%	$ 58,288,631	12.7%	$ 5,682,484	1.2%	$ 76,662,441	16.7%	$ 10,465,228	2.3%	$ 364,314	0.1%	$ 14,721,261	3.2%	$ 458,277,819

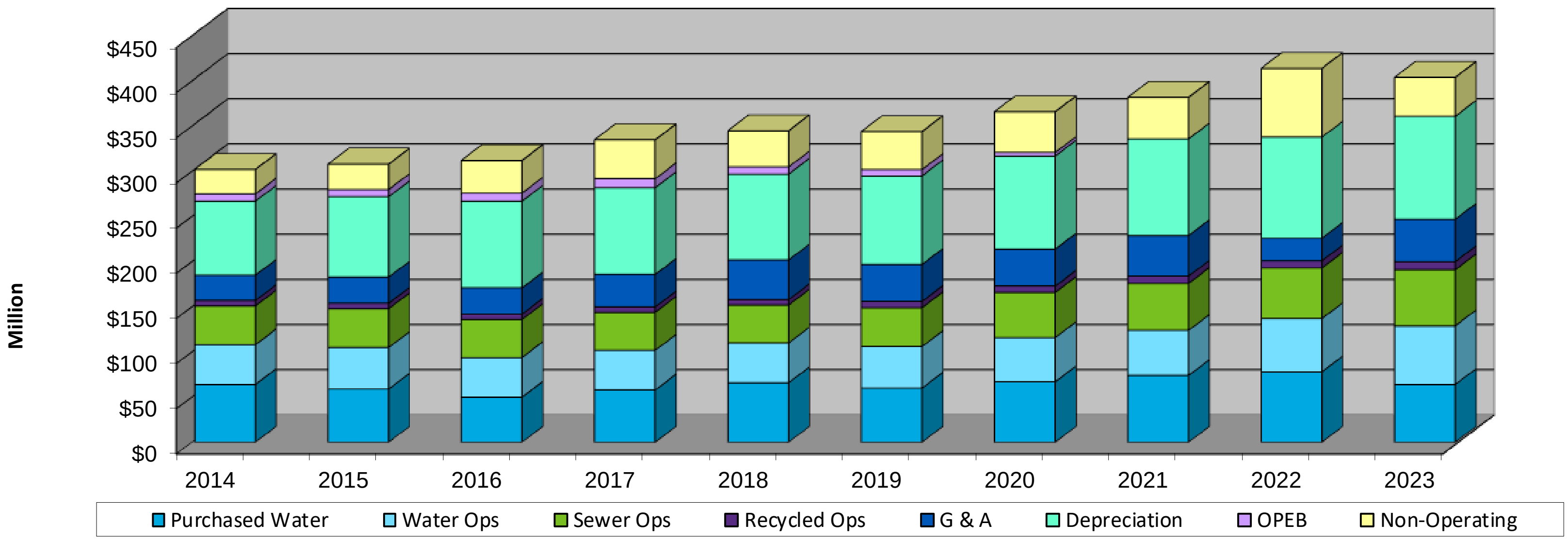


Notes: 1. Interest income significantly decreased in fiscal year 2021 due to the lower Federal Reserve benchmark rate of .49% in June 2021 compared to 1.08% in June 2020.
2. For FY 2022, the $5.0 million increase in grant revenue reflects the $5.2 million ARPA funding received by the State of California and Wastewater Arrearage Program (CWWAP)

Source: Eastern Municipal Water District

Expenses by Function
Last Ten Fiscal Years

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled Water Operations	% of Total	General & Admin[1]	% of Total	Depr. & Amort	% of Total	Net OPEB[1]	% of Total	Total Non-Operating Expenses[2]	% of Total	Total Expenses
2014	$ 63,850,688	21.1%	$ 44,193,507	14.6%	$ 42,710,741	14.1%	$ 5,992,372	2.0%	$ 28,352,049	9.4%	$ 82,037,529	27.2%	$ 8,358,000	2.8%	$ 26,563,390	8.8%	$ 302,058,276
2015	59,040,009	19.2%	45,691,510	14.8%	42,743,947	13.9%	6,101,759	2.0%	28,677,026	9.3%	88,830,791	28.9%	8,568,000	2.8%	28,110,148	9.1%	307,763,190
2016	50,334,462	16.1%	43,582,087	13.9%	42,095,206	13.5%	6,287,916	2.0%	29,687,364	9.5%	95,302,858	30.5%	9,478,577	3.0%	36,071,890	11.5%	312,840,360
2017	57,512,425	17.2%	44,089,564	13.2%	42,232,322	12.6%	6,064,944	1.8%	36,283,686	10.8%	95,968,255	28.7%	9,732,444	2.9%	42,757,780	12.8%	334,641,420
2018	65,846,363	19.1%	44,202,187	12.8%	42,110,008	12.2%	6,417,615	1.9%	43,901,997	12.7%	94,853,174	27.5%	7,852,804	2.3%	40,233,012	11.6%	345,417,160
2019	60,469,414	17.6%	46,398,474	13.5%	42,748,806	12.4%	6,682,894	1.9%	41,420,672	12.0%	97,743,963	28.4%	7,223,073	2.1%	41,846,404	12.1%	344,533,700
2020	67,025,558	18.3%	49,180,247	13.4%	49,780,561	13.6%	7,371,736	2.0%	40,521,610	11.0%	103,217,866	28.1%	4,351,821	1.2%	45,351,484	12.4%	366,800,883
2021	74,297,141	19.4%	50,179,296	13.1%	51,654,247	13.5%	7,563,997	2.0%	45,830,441	12.0%	106,995,298	28.0%	-	0.0%	45,545,894	11.9%	382,066,314
2022	78,171,078	18.9%	58,469,496	14.1%	55,659,676	13.4%	8,265,324	2.0%	25,129,885	6.3%	111,969,576	26.9%	-	0.0%	76,461,226	18.4%	414,126,261
2023	$ 63,764,342	15.8%	$ 64,868,489	16.1%	$ 62,475,345	15.5%	$ 9,215,225	2.3%	$ 47,082,764	11.7%	$ 114,015,134	28.2%	$ -	0.0%	$ 42,347,761	10.5%	$ 403,769,060



1 General & Admin expenses includes Net of OPEB beginning in fiscal year ended June 30, 2022

2 For FY 2022, non-operating expense increased due mostly to the decrease in fair value of investments of $27.7 million as a result of unfavorable market conditions during the fiscal year.

Source: Eastern Municipal Water District

Water Produced and Consumed and Wastewater Treated

Last Ten Fiscal Years

	Water									Gallons of	Total Direct Rate		
Fiscal	Gallons Produced[1,4,6,7,8]				Gallons Consumed			Unbilled		Wastewater	Water Base	Water Usage	
Year	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %	Treated	Rate[2,5]	Rate[3,5]	Sewer
2014	25,057	6,192	1,820	33,069	28,982	1,820	30,802	2,267	6.9%	16,389	10.77	52.50	25.90
2015	22,246	3,789	2,427	28,462	26,040	1,449	27,489	971	3.4%	16,334	11.16	53.76	27.01
2016	19,016	4,820	2,285	26,121	21,608	2,086	23,695	2,426	9.3%	15,483	11.59	57.56	30.12
2017	21,366	5,125	2,194	28,685	23,618	1,951	25,569	3,117	10.9%	15,812	11.83	56.70	31.47
2018	22,908	4,901	2,138	29,947	26,429	1,711	28,140	1,806	6.0%	15,538	11.86	57.34	32.19
2019	21,096	4,699	2,463	28,258	23,022	1,770	24,792	3,466	12.3%	16,284	12.78	62.82	33.65
2020	22,453	3,526	2,472	28,450	24,923	556	25,479	2,971	10.4%	16,932	13.42	62.52	34.92
2021	23,180	5,085	2,359	30,624	26,848	751	27,599	3,025	9.9%	17,111	14.03	68.98	35.97
2022	24,048	4,514	2,381	30,944	28,038	2,167	30,205	739	2.4%	17,782	14.60	61.56	36.68
2023	19,945	3,696	4,355	27,996	25,134	1,774	26,908	1,088	3.9%	18,109	15.21	62.93	37.54

Notes:

1. Gallons are presented in millions.
2. Rate shown is based on the daily fixed charge for meters up to and including 1" through 2017. Effective 2018, the rate shown is for meters up to and including 3/4".
3. Rate shown is an average rate for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
4. This information does not include recycled water.
5. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers with meter sizes greater than 3/4".
6. Well gallons produced decreased by 25%, (1,412 million gallons), in 2020 due to EMWD purchasing treated water in lieu of operating wells during the months of August 2020-December 2020 as part of the MWD Cyclic Water Program.
7. Purchased Water decreased 17%, (4,100 million gallons), in 2023 due to higher than normal levels of rainfall during the months of February 2023-May 2023.
8. Desalter gallons produced increased by 55%, (2,000 million gallons), in 2023 due to production from the Perris II Desalter, which came online in May 2022. FY 2023 is the first full year with three desalters in production.

Source: Eastern Municipal Water District

Water and Sewer Rates
Last Ten Fiscal Years

Fiscal Year	2014	2015	2016	2017	2018[3]	2019	2020	2021	2022	2023
Water Rates[4,2]										
Monthly base rate (meter size)										
<=1"	$ 10.77	$ 11.16	$ 11.62	$ 11.83	$ 11.86	$ 12.60	$ 13.20	$ 13.80	$ 14.40	$ 15.00
1"					16.12	17.10	17.95	18.77	$ 19.58	$ 20.40
1 1/2"	28.29	29.50	30.50	31.03	44.71	47.40	49.63	51.89	$ 54.14	$ 56.40
2"	52.62	54.45	56.73	57.79	69.35	73.50	76.96	80.45	$ 83.95	$ 87.45
3"	175.20	181.59	189.10	192.54	135.05	143.10	149.95	156.77	$ 163.58	$ 170.40
4"	276.49	286.83	298.60	303.86	208.96	221.40	231.92	242.47	$ 253.01	$ 263.55
6"	517.08	536.25	558.15	568.18	414.28	438.90	459.76	480.65	$ 501.55	$ 522.45
8"	647.88	671.60	699.06	712.05	660.65	699.90	733.26	766.59	$ 799.92	$ 833.25
10"	-	-	-	-	989.15	1,047.90	1,097.84	1,147.75	$ 1,197.65	$ 1,247.55
12"	-	-	-	-	1,390.04	1,472.40	1,542.55	1,612.67	$ 1,682.78	$ 1,752.90
Usage rate (per billing unit)[1]	$ 52.50	$ 53.76	$ 57.56	$ 56.70	$ 57.34	$ 62.82	$ 62.52	$ 68.98	$ 61.56	$ 62.92
Sewer Rates (avg per month)	$ 25.90	$ 27.01	$ 30.12	$ 31.47	$ 32.19	$ 33.65	$ 34.92	$ 35.97	$ 36.68	$ 37.54

Notes:

1. Rate shown is an average for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
2. This information does not include recycled water.
3. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers.
4. Rates are adopted by the Board of Directors annually and become effective on the date of adoption or per Board direction.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Customers by Water Service Type
Last Ten Fiscal Years

Fiscal Year	Treated and Untreated Water								Recycled	Total
	Residential & Non-Residential[1,2]	Commercial[2]	Industrial[2]	Public	Construction	Irrigation[3]	Agricultural[3]	Total		
2014	134,656	3,347	136	679	426	2,412	721	142,377	316	142,693
2015	136,425	3,410	138	665	412	2,446	759	144,255	356	144,611
2016	138,247	3,472	137	663	432	2,484	790	146,225	379	146,604
2017	140,332	3,573	136	645	449	2,526	812	148,473	420	148,893
2018	143,017	3,617	145	662	510	2,496	227	150,674	511	151,185
2019	145,484	3,787	148	647	533	2,575	204	153,378	575	153,953
2020	147,843	3,881	162	651	565	2,610	206	155,918	626	156,544
2021	151,010	3,966	165	675	558	2,671	212	159,257	686	159,943
2022	154,773	6,464	373	641	559	0	113	162,923	718	163,641
2023	157,776	6,666	373	654	587	0	111	166,167	841	167,008

Treated and Untreated Water Service Type by Customer Category
Fiscal Year 2023

	Residential & Non-Residential[1,2]	Commercial[2]	Industrial[2]	Public Agency	Construction & Temporary	Irrigation[3]	Agricultural[3]	Total
Domestic	157,776	6,666	373	621	587	-	-	166,023
Agricultural	-	-	-		-	-	111	111
Wholesale	-	-	-	33	-	-	-	33
Total	157,776	6,666	373	654	587	-	111	166,167

Note:

1. Effective 1/1/18, Non-Residential customers applies to Landscape accounts only and excludes Commercial, Industrial and Institutional accounts.
2. Effective fiscal year ended June 30, 2022, Includes water types previously categorized as Irrigation or Agricultural.
3. Effective fiscal year ended June 30, 2022, water types previously categorized as: Irrigation or Agricultural will be included in water types: Residential & Non-Residential, Commercial or Industrial.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Largest Water Customers[3]
As of June 30, 2023 and June 30, 2014

		2023			2014			
Rank	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	LHMWD STATE PROJECT WATER[1]	4,333	$ 4,148,900	34.6%				0.0%
2	CITY OF PERRIS[1]	1,795	2,634,276	21.9%	1	2,166	$ 2,443,803	20.6%
3	WESTERN MUNICIPAL WATER DISTRICT [1,2]	1,567	2,150,133	17.9%	2	1,678	1,833,521	15.4%
4	NUEVO MUTUAL WATER COMPANY[1]	467	623,695	5.2%				0.0%
5	VAL VERDE SCHOOL DISTRICT	283	563,453	4.7%	6	714	914,135	7.7%
6	MORENO VALLEY SCHOOL DISTRICT	290	535,304	4.5%	4	1,138	1,327,397	11.2%
7	MWD OF SOUTHERN CALIFORNIA	237	352,936	2.9%				0.0%
8	MORENO VALLEY RANCH	234	352,883	2.9%				0.0%
9	COUNTY OF RIVERSIDE	209	326,797	2.7%				0.0%
10	VALLEY WIDE RECREATION	152	319,658	2.7%	5	956	1,280,660	10.8%
	City of Moreno Valley				3	969	1,355,933	11.4%
	City of Murrieta				7	608	863,558	7.3%
	Riverside County EDA				8	626	788,372	6.6%
	Country Meadows II Assoc.				9	495	683,796	5.8%
	City of San Jacinto				10	357	392,724	3.3%
	Total	**9,568**	**$ 12,008,035**			**9,707**	**$ 11,883,899**	
	Total water sales	82,578	$ 161,049,316			88,944	$ 118,695,153	
	Percentage of total	11.6%	7.5%			10.9%	10.0%	

Notes:

1. Wholesale customer.
2. Sales relate to Murrieta County Water District customers. This water district was purchased by the Western Municipal Water District.
3. Data includes potable water sales which includes domestic, irrigation and agricultural customers.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Largest Sewer Customers
As of June 30, 2023 and June 30, 2014

		2023		2014		
Rank	Customer Name	Annual Revenues	Percentage	Rank	Annual Revenues	Percentage
1	PECHANGA RESORT & CASINO	$ 987,146	42.8%	1	$ 496,291	25.5%
2	TOWNGATE ON MEMORIAL APT LLC	238,309	10.3%	2	287,519	14.8%
3	RIVERSIDE COUNTY REGIONAL MEDICAL CENTI	171,344	7.4%			
4	VAL VERDE SCHOOL DISTRICT	143,737	6.2%	4	175,560	9.0%
5	1097 NORTH STATE LLC	138,602	6.0%			
6	WESTERN STATES MHP	130,458	5.7%			
7	MURRIETA 492 LTD	127,350	5.5%			
8	MURRIETA VALLEY USD	124,946	5.4%	3	214,496	11.0%
9	SOBOBA CASINO RESORT	123,530	5.4%			
10	SREIT WATERSTONE AT MURRIETA APTS LLC	123,315	5.3%	7	131,935	6.8%
	Hemet Unified School District			5	135,151	6.9%
	Rancho Bella Vista HOA			6	134,560	6.9%
	Palm Court Apartments			8	130,197	6.7%
	Westwind Enterprises			9	128,736	6.6%
	Sienna Pointe Apartments			10	112,410	5.8%
	Total	**$ 2,308,737**			**$ 1,946,855**	
	Total sewer revenue	$ 121,956,150			$ 73,100,086	
	Percentage of total revenue	1.9%			2.7%	

Source: Eastern Municipal Water District

Largest Recycled Water Customers[1]
As of June 30, 2023 and June 30, 2014

		2023			2014			
Rank	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	MARVO HOLSTEINS	2,225	$ 329,268	12.2%				
2	VALLEY WIDE RECREATION	467	326,297	12.1%	5	517	$ 174,283	7.6%
3	PECHANGA WATER SYSTEMS	511	311,123	11.5%	10	446	150,174	6.6%
4	RAMONA DAIRY	1,912	276,608	10.3%				
5	DEPT OF FISH AND WILDLIFE	3,017	263,616	9.8%				
6	AMERICA GREENWORLD INC	505	254,965	9.4%				
7	ELIMWOOD HEMET GOLF RESORT LLC	298	249,076	9.2%				
8	RANCHO CASA LOMA	2,376	242,299	9.0%	2	4,698	277,930	12.1%
9	PASTIME LAKES DAIRY	1,458	224,877	8.3%				
10	A G SOD FARMS INC	1,440	220,363	8.2%	4	2,629	229,636	10.0%
	Inland Empire Energy Center LLC				1	1,726	581,687	25.4%
	Agri Empire				3	3,009	233,659	10.2%
	Don Bean Farms				6	1,947	169,690	7.4%
	Hemet Golf Club Landmark				7	401	162,138	7.1%
	The Golf Club at Rancho California				8	477	160,593	7.0%
	Scott Bros Dairy				9	2,636	150,248	6.6%
	Total	**14,209**	**$ 2,698,493**			**18,486**	**$ 2,290,038**	
	Total recycled water sales	29,692	$ 9,087,994			37,467	$ 6,125,420	
	Percentage of total	47.9%	29.7%			49.3%	37.4%	

Notes:

1. The District has a number of recycled water rates depending upon size of pipe, agricultural or non-agricultural usage and level of treatment.
2. Wholesale customer.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Summary of Property Tax Levies and Collections
Last Ten Fiscal Years

	General Purpose	GO Bonds	Infrastructure Availability	Total Levied	Total Collected	Total Levy Collected %	Delinquent Collections[1]	Total Delinquent & Levy Collected	Total Delinquent & Levy Collected %	Total Penalty Collected
2014	$ 23,684,597	$ 4,266,709	$ 5,700,591	$ 33,651,897	$ 31,770,815	94.4%	$ 1,694,199	$ 33,465,014	99.4%	$ 709,602
2015	26,026,026	4,313,709	5,879,086	36,218,821	34,540,057	95.4%	1,894,922	36,434,978	100.6%	654,060
2016	27,674,298	4,527,327	5,896,150	38,097,775	35,865,401	94.1%	1,774,071	37,639,471	98.8%	318,353
2017	29,287,092	4,497,271	5,940,860	39,725,223	37,808,659	95.2%	1,723,818	39,532,477	99.5%	397,588
2018	30,944,167	4,403,707	5,886,288	41,234,162	39,397,855	95.5%	1,770,080	41,167,935	99.8%	384,238
2019	32,714,303	4,839,634	5,831,335	43,385,272	41,413,614	95.5%	1,603,382	43,016,997	99.2%	210,251
2020	34,602,090	5,313,825	5,779,993	45,695,908	43,543,776	95.3%	2,187,383	45,731,159	100.1%	109,371
2021	36,726,030	5,929,512	5,598,248	48,253,790	46,130,398	95.6%	2,016,359	48,146,757	99.8%	85,181
2022	38,611,660	6,373,468	5,968,971	50,954,099	49,421,000	97.0%	2,495,901	51,916,902	101.9%	232,375
2023	$ 44,056,695	$ 3,072,699	$ 5,833,696	$ 52,963,091	$ 52,429,933	99.0%	$ 2,118,352	$ 54,548,286	103.0%	$ 107,391

1. Delinquent collections are not identified by fiscal year from the County of Riverside and are therefore recorded in the fiscal year received.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Summary of Imported Water Rates
Last Ten Fiscal Years
(dollars per acre-foot)

Rates Effective Beginning January		Full Service Domestic Treated	Full Service Domestic Untreated
2014	**Tier 1**	890	593
	Tier 2	1,032	735
2015	**Tier 1**	923	582
	Tier 2	1,055	714
2016	**Tier 1**	942	594
	Tier 2	1,076	728
2017	**Tier 1**	979	666
	Tier 2	1,073	760
2018	**Tier 1**	1,015	695
	Tier 2	1,101	781
2019	**Tier 1**	1,050	731
	Tier 2	1,136	817
2020	**Tier 1**	1,078	755
	Tier 2	1,165	842
2021	**Tier 1**	1,104	777
	Tier 2	1,146	819
2022	**Tier 1**	1,143	799
	Tier 2	1,185	841
2023	**Tier 1**	1,209	855
	Tier 2	1,418	1,064

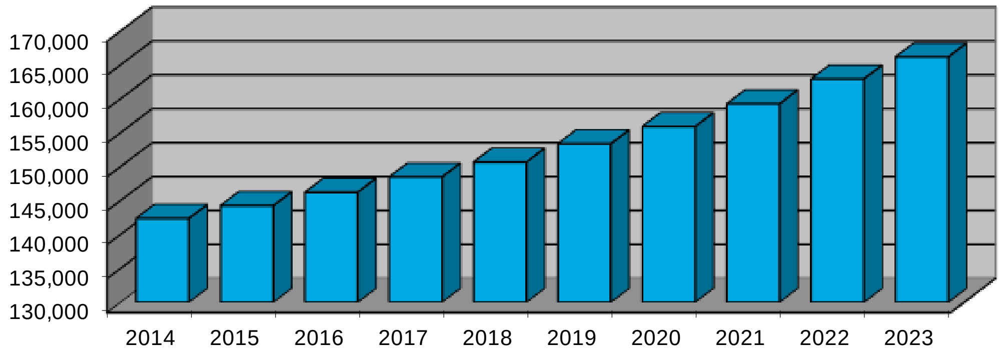
Source: Metropolitan Water District of Southern California (MWD)

STATISTICAL SECTION

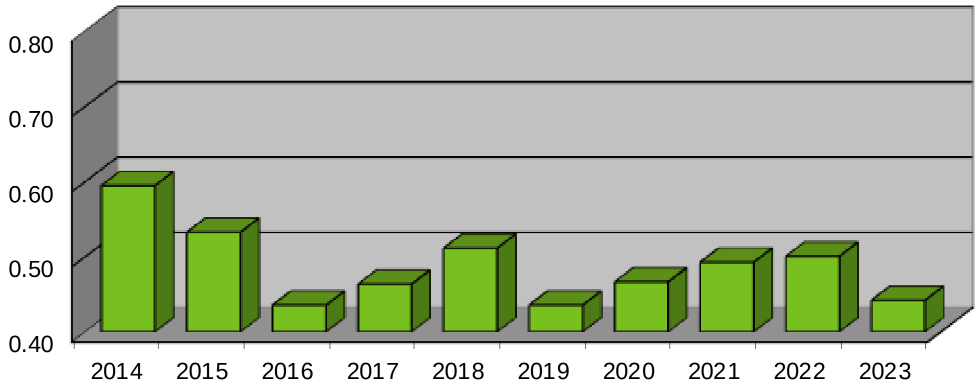
Annual Domestic Consumption (AF)
Last Ten Fiscal Years

Fiscal Year	Usage (AF)[1]	Active Accounts	Average AF per Account[2]
2014	84,650	142,377	0.59
2015	76,832	144,255	0.53
2016	63,673	146,225	0.44
2017	68,813	148,473	0.46
2018	77,020	150,674	0.51
2019	66,803	153,378	0.44
2020	72,733	155,918	0.47
2021	78,459	159,257	0.49
2022	81,513	162,923	0.50
2023	73,421	166,167	0.44

Number of Active Accounts



Average AF/Account[2]



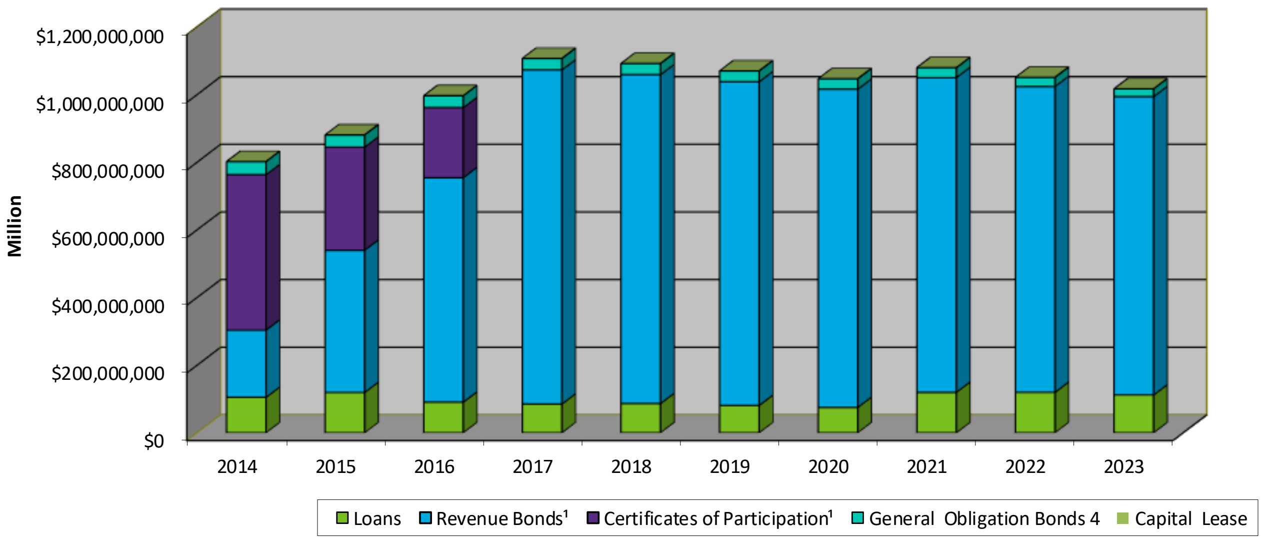
Notes:
1. Amounts exclude wholesale accounts.
2. Several factors may impact fluctuations in the average AF per account each year including conservation efforts, the level of bank-owned homes relating to the economic downturn, and changes in weather patterns.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Ratio of Outstanding Debt by Type[4]
Last Ten Fiscal Years
* See Debt Footnotes for dollar amounts

Fiscal Year	Loans	Revenue Bonds[1]	Certificates of Participation[1]	General Obligation Bonds [4]	Capital Lease	Total	Percentage of Personal Income[2]	Debt per Capita[3]
2014	$ 105,195,668	$ 198,525,127	$ 459,710,090	$ 38,446,800	$ 55,072	$ 801,932,757	1.08%	1,022
2015	119,352,359	420,407,712	305,016,307	35,896,296	41,574	880,714,248	1.15%	1,108
2016	90,787,233	663,582,542	207,389,271	34,920,903	23,752	996,703,701	1.24%	1,240
2017	85,227,888	987,759,455	-	33,905,509	12,782	1,106,905,634	1.30%	1,356
2018	86,719,548	972,307,446	-	32,845,116	1,018	1,091,873,128	1.22%	1,320
2019	80,934,716	957,255,438	-	31,739,723	-	1,069,929,877	1.15%	1,275
2020	74,961,710	941,207,959	-	30,584,330	-	1,046,753,999	1.07%	1,231
2021	119,671,823	930,468,849	-	29,378,937	-	1,079,519,609	1.06%	1,240
2022	119,870,848	903,970,970	-	26,935,013	-	1,050,776,831	0.92%	1,183
2023	$ 112,100,753	$ 882,054,047	$ -	$ 22,904,264	$ -	$ 1,017,059,064	0.81%	1,123



Notes:

1. In fiscal year 2017, the District issued six refunding revenue bonds to redeem all outstanding certificates of participation and five refunding revenue bonds. A new series revenue bond was issued to finance the construction of water and sewer capital improvements.
2. Based upon Riverside County personal income amounts. The District is located in the County of Riverside. See the personal income amounts on the Demographic and Economic Statistics schedule. Amounts for prior years are updated with the most recent available information.
3. Based upon approximate population of District service area. See the Demographic and Economic Statistics schedule for amounts.
4. Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

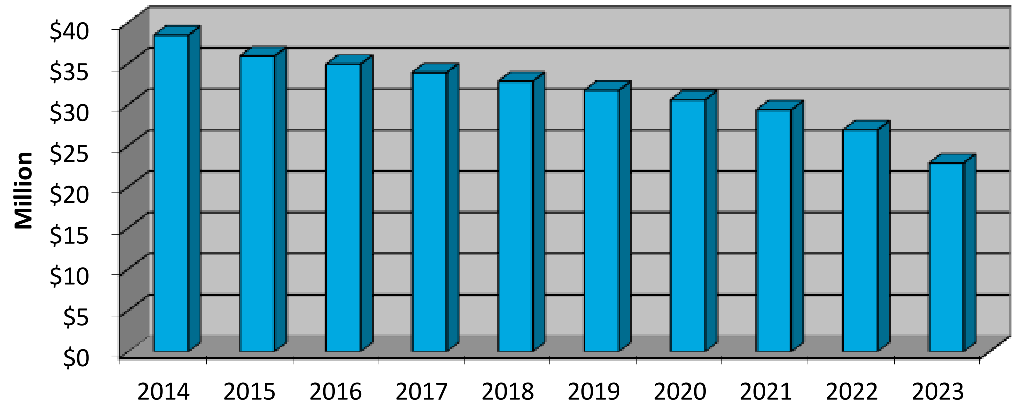
Source: Eastern Municipal Water District

STATISTICAL SECTION

Ratio of General Bonded Debt Outstanding[3]
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Assessed Value[1]	Percentage of Assessed Value	Debt per Capita[2]
2014	$ 38,446,800	$ 55,926,804,094	0.07%	$ 49
2015	35,896,296	61,313,471,497	0.06%	45
2016	34,920,903	66,226,873,815	0.05%	43
2017	33,905,509	70,005,613,492	0.05%	42
2018	32,845,116	74,231,240,058	0.04%	40
2019	31,739,723	79,484,183,867	0.04%	38
2020	30,584,330	84,535,646,968	0.04%	36
2021	29,378,937	90,034,421,499	0.03%	34
2022	26,935,013	95,712,231,899	0.03%	30
2023	$ 22,904,264	$ 105,821,043,155	0.02%	$ 25

Total Bonds Outstanding



Notes:

1. Bonds are issued by improvement district, but the amounts shown are for the District's entire service area. Beginning 2016, included District No. 04-5408: EMWD Detachment#2 in the assessed value.
2. Based upon approximate population of the District's entire service area. See the Demographic and Economic Statistics schedule for amounts.
3. Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

Source: Eastern Municipal Water District

PARITY DEBT SERVICE COVERAGE
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OPERATING REVENUES:										
Water sales	$ 122,724,175	$ 117,295,152	$ 112,457,426	$ 120,870,937	$ 135,428,866	$ 132,847,172	$ 141,303,051	$ 163,113,885	$ 172,342,283	$ 161,049,316
Sewer service sales	73,100,086	77,120,505	87,184,856	92,536,116	96,049,786	102,037,610	107,541,964	112,533,433	116,893,529	121,956,150
Recycled water	6,125,420	6,392,763	6,648,809	7,792,169	9,028,827	7,034,622	8,061,905	9,949,373	9,610,661	9,087,994
Total operating revenues	201,949,681	200,808,420	206,291,091	221,199,222	240,507,479	241,919,404	256,906,920	285,596,691	298,846,473	292,093,460
OPERATING EXPENSES:										
Water purchases	63,850,688	59,040,009	50,334,462	57,512,425	65,846,363	60,469,414	67,025,558	74,297,141	78,171,078	63,764,342
Water operations	44,193,507	45,691,510	43,582,087	44,089,564	44,202,187	46,398,474	49,180,247	50,512,860	58,469,496	64,868,489
Sewer operations	48,703,113	48,845,706	48,383,122	48,297,266	48,527,623	49,431,700	57,152,297	59,218,244	63,925,000	71,690,570
Other Post Employment Benefits (OPEB) Contribution	6,123,000	8,568,000	9,478,577	9,732,444	7,852,804	7,223,073	4,351,821	1,149,955	-	-
General & administrative	28,352,049	28,677,026	29,687,364	36,283,686	43,901,997	41,420,672	40,521,610	44,680,486	26,081,407	47,082,764
Total operating expenses	191,222,357	190,822,251	181,465,612	195,915,385	210,330,974	204,943,333	218,231,533	229,858,686	226,646,981	247,406,165
OPERATING INCOME (LOSS)	10,727,324	9,986,169	24,825,479	25,283,837	30,176,505	36,976,071	38,675,387	55,738,005	72,199,492	44,687,295
NON-OPERATING REVENUES:										
Property taxes - general purpose	28,061,489	30,843,713	32,271,305	33,971,127	36,294,389	38,204,912	41,014,090	44,907,361	46,946,017	54,990,204
Standby charges	5,700,591	5,735,466	5,784,242	5,831,357	5,769,853	5,828,077	5,779,756	5,598,011	5,813,807	5,682,484
Water and sewer connection fees	30,149,861	28,307,625	45,715,784	40,565,197	46,924,875	54,665,900	45,186,191	67,256,487	73,951,090	76,662,441
Interest income	3,133,313	3,092,643	3,405,039	4,733,897	8,181,973	11,897,412	10,506,376	1,082,056	4,453,368	10,344,448
Grant revenues	5,214,780	3,830,382	2,823,624	6,164,479	3,128,863	27,966,611	34,194,594	13,936,802	18,858,815	2,086,394
Other income/(expense)	947,126	829,006	2,859,968	(3,494,598)	6,195,691	2,576,604	2,942,655	(3,382,641)	(5,250,119)	3,122,195
Total non-operating revenues	73,207,160	72,638,835	92,859,962	87,771,459	106,495,644	141,139,516	139,623,662	129,398,076	144,772,978	152,888,166
Net Water and Sewer Revenues for Debt Coverage	83,934,484	82,625,004	117,685,441	113,055,296	136,672,149	178,115,587	178,299,049	185,136,081	216,972,470	197,575,461
PARITY OBLIGATION DEBT SERVICE:										
Parity Obligation Payments (COP/Bonds)	35,521,108	26,604,369	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750	-	-
State Loan Payments	4,013,353	5,877,892	-	-	-	-	-	-	-	-
Total Parity Obligation Debt Service	39,534,461	32,482,262	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750	-	-
PARITY OBLIGATION DEBT SERVICE COVERAGE	**2.1**	**2.5**	**5.2**	**3.3**	**27.9**	**36.5**	**36.6**	**38.0**	**N/A**	**N/A**
REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS	44,400,023	50,142,742	95,139,611	78,888,904	131,764,999	173,234,087	173,423,424	180,267,331	216,972,470	197,575,461
SUBORDINATE OBLIGATION DEBT SERVICE	-	2,917,542	20,192,253	10,421,019	45,735,440	46,458,431	44,426,090	46,270,364	59,227,975	58,119,353
SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE	NA	17.2	4.7	7.6	2.9	3.7	3.9	3.9	3.7	3.4
REMAINING REVENUES	44,400,023	47,225,200	74,947,358	68,467,886	86,167,809	126,775,656	128,997,334	133,996,967	157,744,495	139,456,108
TOTAL DEBT SERVICE	$ 39,534,461	$ 35,399,804	$ 42,738,083	$ 44,587,410	$ 50,642,590	$ 51,339,931	$ 49,301,715	$ 51,139,114	$ 59,227,975	$ 58,119,353
ALL-IN DEBT SERVICE COVERAGE	**2.1**	**2.3**	**2.8**	**2.5**	**2.7**	**3.5**	**3.6**	**3.6**	**3.7**	**3.4**

Source: Eastern Municipal Water District

STATISTICAL SECTION

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population[1]	Personal Income[2] (thousands of $)	Per Capita Personal Income[2]	Unemployment Rate[2]
2013	784,834	$ 74,093,810	$ 32,774	10.3%
2014	794,790	76,470,084	33,741	8.5%
2015	803,973	80,218,739	35,043	7.0%
2016	816,411	85,315,532	36,900	6.5%
2017	827,343	89,569,727	38,294	5.5%
2018	839,226	93,043,247	39,310	4.7%
2019	850,439	97,494,023	40,790	4.4%
2020	870,579	104,149,463	43,295	13.5%
2021	888,268	115,570,337	47,702	8.4%
2022	905,262	$ 125,820,553	$ 51,180	4.1%

Notes: 1. Data is for the District's service area. Amounts for prior years are restated with the most recent available information.
2. Data is for the County of Riverside. The District is located within the County. Amounts for prior years are updated with the most recent available information.

Sources: State of California Employment Development Department
State of California Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis

STATISTICAL SECTION

Principal Employers[1]

Fiscal Year Ended June 30, 2023 and June 30, 2014

2023			2014		
Employer	No. of Employees	Percentage of Total Employment	Employer	No. of Employees	Percentage of Total Employment
County of Riverside	25,366	2.4%	County of Riverside	20,808	2.4%
Amazon	14,317	1.3%	March Air Reserve Base	8,500	1.0%
March Air Reserve Base	9,600	0.9%	Stater Brothers Markets	6,900	0.8%
Nestle USA	8,874	0.8%	University of California, Riverside	5,514	0.6%
University of California, Riverside	8,623	0.8%	Kaiser Permanente Riverside Medical Ctr	5,270	0.6%
State of California	8,383	0.8%	Pechanga Resort & Casino	4,500	0.5%
Walmart	7,494	0.7%	Corona-Norco Unified School District	4,300	0.5%
Moreno Valley Unified School District	6,020	0.6%	Walmart	4,068	0.5%
Kaiser Permanente Riverside Medical Ctr	5,817	0.5%	Riverside Unified School District	4,000	0.5%
Corona-Norco Unified School District	5,478	0.5%	Hemet Unified School District	3,572	0.4%
Total	99,972	9.3%	Total	67,432	7.9%
Total Employment	1,078,200		Total Employment	855,300	

Notes:

1. Data is for the County of Riverside. The District is located within the County.

Sources: Riverside County Office of Economic Development
State of California Employment Development Department

STATISTICAL SECTION

Employees by Function
Last Ten Fiscal Years

	2014	2015 [2]	2016	2017	2018	2019	2020	2021	2022	2023
Operations and Maintenance Division										
Water Operations Administration, Production, and Distribution and Recycled Water Operations	66	61	65	65	65	66	66	68	68	67
Water Reclamation Administration and Plants Operations	87	88	87	85	83	85	85	87	81	87
Maintenance Services and Assets & Facilities Management	15	22	19	19	19	19	19	19	18	20
Auto Shop and Fabrication Shop (reassigned)	15	-	-	-	-	-	-	-	-	-
Wastewater Collection Services	14	15	14	14	14	15	15	15	15	15
Mechanical Services (includes Fab Shop)	29	31	31	31	30	31	32	32	30	33
Electrical Services	24	23	24	22	26	25	26	25	25	22
Field Services Construction	34	22	22	22	21	23	22	24	23	24
Total Operations & Maintenance Division	**284**	**262**	**262**	**258**	**258**	**264**	**265**	**270**	**260**	**268**
Planning, Engineering, and Construction Division										
Water Resources, Facilities Planning, and Conservation [1]	19	20	24	24	24	22	24	22	22	24
Engineering [3]	44	46	42	45	46	44	47	43	42	44
Field Engineering (Construction Management and Inspections)	33	29	32	30	31	32	30	31	31	31
Development Services [4]	18	19	21	21	20	24	25	25	24	24
Environmental and Regulatory Compliance	10	11	12	12	8	12	12	12	12	13
Water Quality and Laboratory	14	12	12	12	12	11	12	13	13	13
Source Control	10	10	10	11	11	10	11	10	9	10
Total Planning, Engineering, and Construction Division	**148**	**147**	**153**	**155**	**152**	**155**	**161**	**156**	**153**	**159**
Executive and Administration										
Executive and Administration [3]	12	13	15	16	12	12	11	11	11	10
Public and Governmental Affairs	11	12	12	12	13	11	12	14	13	13
Human Resources	12	8	6	7	7	6	7	7	7	5
Safety/Risk and Emergency Management	-	4	5	5	5	5	5	6	6	6
Billing/Customer Service [5]	53	56	56	54	61	50	47	51	45	42
Meter Services [5]	19	16	14	13	14	21	20	17	17	17
Finance and Special Funding District	22	22	22	22	22	23	21	23	22	23
Information Systems	31	30	27	23	24	23	23	24	25	25
Purchasing, Contracts, Warehouse, and Records Management	27	28	28	25	28	27	27	27	26	27
Fleet Services (formerly Auto Shop)	-	11	11	11	12	11	11	12	11	12
Total Executive and Administration	**187**	**200**	**196**	**188**	**198**	**189**	**184**	**192**	**183**	**180**
Total Filled Positions End of Year [6,7]	**619**	**609**	**611**	**601**	**608**	**608**	**610**	**618**	**596**	**607**
Total Authorized Positions Start of Year	**633**	**629**	**631**	**629**	**632**	**636**	**640**	**642**	**646**	**649**
Change in Authorized Positions from Prior Year	(3)	(4)	2	(2)	3	4	4	2	4	3
Number of Vacant Positions as of June 30	10	20	20	28	24	28	28	28	50	42
Vacancy Rate as of June 30	1.6%	3.2%	3.2%	4.5%	3.8%	4.4%	4.4%	4.4%	7.7%	6.5%

Notes:

1. The Planning and Resources workgroup was reorganized in 2016 and again in 2020
2. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.
3. Organizational changes in December 2015 resulted in the movement of staff from Engineering to Executive and Administration.
4. Department name changed in 2018 from New Business to Development Services
5. Seven employees moved from Billing/Customer Service to Meter Services in 2019
6. All directors and managers are included with their divisions.
7. Temporary, contract and summer help employees are not included.

Source: Eastern Municipal Water District

STATISTICAL SECTION

OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
POTABLE WATER SYSTEM										
Miles of pipeline:										
transmission and distribution:[1]	2,448	2,463	2,465	2,380	2,476	2,442	2,482	2,534	2,594	2,635
as-built	2,376	2,391	2,399	2,314	2,397	2,368	2,393	2,407	2,424	2,457
construction in progress	72	72	66	66	79	74	89	127	170	178
Number of storage tanks	77	77	78	79	79	79	79	79	79	79
Maximum storage capacity (million gallons)	191	191	199	203	203	203	204	204	204	204
Number of active pumping plants	83	83	83	84	86	87	87	86	94	94
Number of active wells:										
domestic	18	18	16	16	14	14	14	14	15	14
desalter[4]	11	11	12	12	12	12	13	13	14	15
Domestic well production capacity:										
gallons per minute	23,382	19,299	19,604	14,708	15,625	17,100	19,600	20,690	18,700	18,375
million gallons per day	33.7	27.8	28.2	21.2	22.5	24.6	28.2	29.8	26.9	26.5
acre feet per year	37,715	31,129	31,622	23,725	25,203	27,582	31,610	33,369	30,132	29,639
Number of water treatment plants:										
desalter[5]	2	2	2	2	2	2	2	2	3	3
filtration	2	2	2	2	2	2	2	2	2	2
Treatment plant capacity: (million gallons per day)										
desalter plants[5]	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	13.4	13.8
filtration plants	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Number of service connections:										
active domestic accounts	142,244	144,123	146,098	148,348	150,558	153,263	155,803	159,143	162,810	166,056
active agriculture accounts	133	132	127	125	116	115	115	114	113	111
SEWER SYSTEM										
Miles of sewer lines:[1]	1,799	1,813	1,816	1,790	1,819	1,831	1,868	1,913	1,962	1,990
as-built	1,735	1,749	1,772	1,741	1,759	1,771	1,799	1,812	1,823	1,855
construction in progress	64	64	44	49	60	60	69	101	138	135
Number of treatment plants	5	5	5	5	5	5	5	5	5	5
Treatment plant average design capacity (MGD)[2]	68	70	70	70	72	72	77	77	77	77
Average million gallons per day treated	44.9	44.8	42.4	43.3	42.6	44.6	46.3	48.0	49.0	49.6
Percentage of capacity utilized	66%	64%	61%	62%	59%	62%	60%	62%	64%	64%
Number of active lift stations	48	47	46	46	50	50	48	51	51	51
Cumulative Equivalent Dwelling Units (EDUs)	236,681	239,141	243,279	246,746	250,487	254,878	258,342	263,068	268,117	273,328
RECYCLED WATER SYSTEM										
Miles of pipeline:										
transmission and distribution:[1]	215	217	217	207	211	225	238	252	263	274
as-built	198	200	208	197	197	211	218	225	228	234
construction in progress	17	17	9	10	14	14	20	27	35	40
Number of active pumping facilities	24	24	24	24	24	24	24	24	24	24
Maximum storage capacity (acre feet)[3]	6,184	6,448	6,448	7,571	7,599	7,599	7,642	7,648	7,666	7,666
GENERAL INFORMATION										
Service area (annexed property):										
acres	346,745	346,745	346,808	346,808	347,280	347,298	347,298	347,303	347,303	347,303
square miles	541.8	541.8	541.9	541.9	542.6	542.7	542.7	542.7	542.7	542.7
Gross service area (square miles)	555	555	555	555	555	555	555	558	558	558
Average years of service of employees	12.11	12.50	12.25	11.90	11.68	11.04	11.80	11.40	11.50	11.70

Notes:
1. Miles of pipelines as-built excludes open construction in progress (CIP). CIP reflects what was recorded as open projects as of the year end date.
2. The Sun City RWRF (3 MGD) was formerly included in the total capacity although it was decommissioned. Amounts are now reflected as average design capacity. The Perris RWRF expansion to 25 MGD was completed in 2014. Correction made to calculation starting in FY17 and adjusted through FY20. The Temecula RWRF expansion to 23 MGD was completed in 2020.
3. Recycled storage increases since 2014 are due to more accurate measurements from recent surveys, plus conversions of secondary storage to tertiary storage. FY22, an additional pond was added to MVRWRF.
4. Desalter wells formerly inactive were placed back into service during 2014.
5. Perris Desalter II was placed online in May 2022.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Customer Account Write Offs as a Percentage of Sales
Last Ten Fiscal Years

Fiscal Year	Retail Sales[1]	Write Offs	% of Sales
2014	$ 170,496,733	$ 851,419	0.5%
2015	169,744,235	823,650	0.5%
2016	171,146,902	714,213	0.4%
2017	182,818,310	475,022	0.3%
2018	200,388,220	331,561	0.2%
2019	201,083,661	266,364	0.1%
2020	219,187,773	279,090	0.1%
2021	245,091,730	279,538	0.1%
2022 [2]	255,060,441	938,577	0.4%
2023 [3]	244,867,753	1,613,610	0.7%
Total	$ 2,059,885,758	$ 6,573,044	0.3%

Notes:

1. Excludes sales collected by other agencies.
2. Write Offs were significantly higher in 2022 since accounts that would normally have been closed and sent to collections were allowed to remain open during the State shut-off moratorium. As a result, these accounts incurred larger than normal unpaid balances. Once the moratorium expired on 12/31/21, older unpaid accounts were closed, balances written off and sent to collections.
3. March 2023 completed the first full year of the delinquency process back in place after the Pandemic. Several accounts were closed for non payment and sent to collections.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Bad Debt Reserves as a Percentage of Accounts Receivable
Last Ten Fiscal Years

Fiscal Year	Year End A/R Balance	Reserves[1,5]	% of A/R
2014	$ 13,805,842	$ 850,608	6.2%
2015	9,916,469	609,075	6.1%
2016	10,127,047	324,530	3.2%
2017	11,882,229	215,340	1.8%
2018	13,595,401	181,535	1.3%
2019	11,763,091	188,441	1.6%
2020[2]	12,620,425	1,427,802	11.3%
2021[3]	17,927,104	1,406,706	7.8%
2022[4]	16,204,229	1,697,106	10.5%
2023	$ 15,153,887	$ 1,201,147	7.9%

Notes:

1. Reserves equal accounts over 60 days past due.
2. In 2020, reserves increased significantly due to the greater number of delinquent customer accounts. This was a direct result of the negative economic impact of the Coronavirus pandemic.
3. In 2021, the year-end A/R balance increased due to the CA Governor's order, which took effect in March of 2020, suspending the shut off of water service due to non-payment. This order was in response to the financial impact of the Coronavirus pandemic. The shut-off moratorium was set to lift on 12/31/21.
4. In 2022, the year-end A/R balance remained higher than in previous years due to the CA Governor's no shut off order which expired 12/31/21. EMWD resumed disconnections in March 2022. At this point, customers with excessive unpaid balances were placed on payment plans for a max duration of 24 months.
5. At the end of 2023, the reserve calculation was revaluated and adjusted to reflect accounts over 90 days past due.

Source: Eastern Municipal Water District

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
For Fiscal Year Ended June 30, 2023

Perris, California

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